FINANCIAL TIMES

Global equity issues
Fund managers are wary of landmines
Page 13

Press review
Japanese coverage of the Kobe quake
Page 5

Business travel
Air tales: Paul Betts and David Marsh
Page 8

Management
Mazda: good at cars, less so at marketing
Management, Page 7

World Business Newspaper | MONDAY JANUARY 23 1995 | D8523A

Reuters and Fox to co-operate in TV news network

Reuters, the international news and information company, and Fox Broadcasting, Rupert Murdoch's US television network, are to co-operate in TV news gathering and dissemination. They plan to create a television news operation designed to service Fox owned-and-operated stations, Fox affiliates and other participating stations. Financial terms of the deal were not disclosed. Page 17

Mexico plans new crisis measures: Mexican finance minister Guillermo Ortiz is today expected to unveil further measures to deal with the country's financial crisis, including deep cuts in government spending. Page 3

Bonn snubs Russian minister: German defence minister Volker Rühe told his Russian counterpart, General Pavel Grachev, that he is not welcome in Germany following his outspoken attacks on advocates of peace in Chechnya. Page 2

German unions offer to trade pay for jobs: German trade union leaders said they were willing to consider shorter working weeks with reduced pay for their members if it helped to create more jobs. Page 2

1995 'pivotal for Chinese reforms': This year is pivotal for China's economic reform, with the country facing big challenges in curbing inflation, salvaging state-owned enterprises and maintaining agricultural production, the country's State Statistical Bureau says. Page 5; Factions manoeuvre in China as Deng era fades, Page 14

US and China close to pact on piracy: The US and China are nearing agreement on steps to curb piracy of American products. A pact would forestall threatened US sanctions against $1bn of Chinese exports. Page 4

Earthquake hits Russian islands: An earthquake measuring between 5 and 7 on the Richter scale shook the sparsely populated Kurile Islands off eastern Russia, about 1,200km from Kobe. There were no casualties. In Colombia a quake with a preliminary magnitude of 5.7 struck near Bogotá. Rains worsen quake-hit Kobe's plight, Page 5; Editorial Comment, Page 13

Move to pull UK out of fisheries policy: A campaign to pull the UK out of the European Union's Common Fisheries Policy won backing from fishermen's leaders in England, Wales and Northern Ireland. Page 2

Benetton chief resigns: Aldo Palmeri resigned as managing director of Italian clothing group Benetton after more than 10 years at the helm of the family-controlled company. Page 17

Britain pressed to curb all-Ireland idea: The British government was pressed to water down proposals for all-Ireland organisations with executive powers after Ulster Unionist MPs rejected Irish assurances that joint authority over Ulster had been ruled out. Page 8; Editorial Comment, Page 13

Viacom sells cable TV systems: US entertainment and media group Viacom signed a $2.3bn deal to sell its cable television systems to an investment group which includes Tele-Communications, the biggest US cable operator, as one of its partners. Page 15

Rise in private capital to third world slows: Flows of private sector capital to developing countries continued to expand last year to reach a record $173bn, the World Bank estimates, but the surge experienced between 1990 and 1993 slowed sharply. Page 5

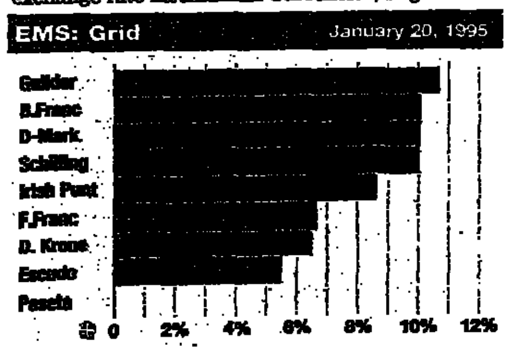
Range Rover dominance threatened: General Motors, Ford, Toyota and Nissan, are studying the development of luxury off-road vehicles and threatening the dominance of the sector by Britain's Land Rover flagship, the Range Rover. Page 15

Judge challenges Microsoft settlement: The US Justice Department's agreement to settle anti-trust charges against Microsoft, the world's largest computer software company, was challenged by the federal judge overseeing the case. Page 17

O.J. Simpson trial opens: The trial of former American footballer O.J. Simpson, charged with the murders of his ex-wife Nicole and her friend Ron Goldman, opens today in Los Angeles. The trial, expected to last six months, will be televised across the US.

European Monetary System: Investors continued to shun the Spanish peseta last week, leaving it well below other currencies in the EMS grid. Europe's safe haven currencies maintained their 10 percentage point lead over the peseta, underling the recent flight to quality in the exchange rate mechanism. Currencies, Page 23

EMS: Grid — January 20, 1995



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Palestinian peace talks in jeopardy as Islamic suicide attack kills 19

Israel seals borders after bomb

By Julian Ozanne in Jerusalem

President Ezer Weizman of Israel called yesterday for the suspension of Israeli-Palestinian peace talks after two Islamic suicide bombers killed 19 people and wounded 62 at a crowded commuter bus stop north of Tel Aviv.

The Israeli cabinet sealed the borders between Israel and Gaza and the West Bank indefinitely, a move which will prevent tens of thousands of Palestinians from travelling to their jobs in Israel.

"I believe we should now suspend the talks – not stop them, but suspend them," Mr Weizman told Israeli television. Israel, he added, should tell Mr Yassir Arafat, the Palestinian leader, that unless he makes a greater effort to curb Palestinian attacks on Israelis the peace process would be frozen.

Mr Weizman's call came after the militant Islamic Jihad group, which condemns the 1993 Israeli-Palestinian peace accord as a betrayal of Palestinian rights, claimed responsibility for the attack and said two of its activists from Palestinian-ruled Gaza had carried out the mission.

The two suicide bombers struck at a snack bar next to a bus stop near the Mediterranean resort of Netanya. Many of the victims were soldiers waiting for transport to return to their units after their weekend break.

Bloodied survivors gathered at the scene of the carnage and chanted angry slogans "Rabin the traitor" and "Death to Arabs" and called on the government to halt the peace process and block Palestinians from entering Israel.

Rescue workers carry one of the victims from the bombed snack bar. It was the fourth attack in nine months by Palestinian militants — Reuter

The bombing was the fourth attack in nine months by Palestinian militants opposed to peace with Israel. It brought the Israeli death toll in such attacks since the September 1993 accord to more than 110.

President Weizman's controversial statement marks an open challenge to embattled prime minister Yitzhak Rabin. It is likely to undermine the government further and deepen a steep decline in public support for the peace process.

Senior politicians and government officials said the bombing would pile popular pressure on the government to suspend the talks and freeze the experiment of Palestinian self-rule.

Israeli blue chips dipped almost one per cent after the bombing, reflecting continuing investor nervousness about prospects for a genuine peace between Arab and Jew.

Mr Rabin postponed a crucial cabinet meeting on Jewish settlement in the occupied West Bank and cancelled a speech to commemorate the 50th Anniversary of the liberation of Auschwitz to dash by helicopter to the site.

"I have no words to describe this murderous atrocity that took place this morning, in which mostly soldiers were hurt... by an insane terrorist group," Mr Rabin said. "In the medium and long term we must reach a separation so that there won't be Palestinians from the territories living inside Israel's sovereign territory."

President Bill Clinton condemned what he called an "horrendous act of terrorist violence" and said it was "an evil effort to destroy the hopes of peaceful coexistence between Israelis and Arabs." Mr Arafat also condemned the attack "by the enemies of peace".

Pressure for peace freeze, Page 4

Cadbury Schweppes to pay $1.6bn for US group

By Nicholas Denton and Roderick Oram in London and Richard Tomkins in New York

Cadbury Schweppes of the UK is poised to become the largest non-cola soft drink supplier in the world with its imminent recommended bid of about $1.6bn to win control of Dr Pepper/Seven-Up Companies of the US.

With about half the non-cola sector of the US market, the combined group would lead Coca-Cola and PepsiCo in the fastest growing segment, which accounts for 35 per cent of US annual soft drink sales of $49bn.

Despite the appeal of Dr Pepper's non-cola drinks, however, Cadbury would remain a distant third overall behind Coke and Pepsi with only 17 per cent US market share.

The deal would also give Cadbury new products for its international network, except for Seven-Up which is owned by PepsiCo outside the US.

Cadbury is expected to launch a rights issue of about £400m to help ease the financial strain of the deal.

In addition to buying the 74.1 per cent of Dr Pepper's equity it does not already own, Cadbury will assume more than $750m of Dr Pepper debt for a total of about $2.4bn.

The two sides reached agreement in principle on Friday on a price of about $33 per share, at the lower end of the $31-$38 at which US analysts value Dr Pepper.

Its shares closed up $1.50 at $29.50 on Friday on bid speculation. A formal announcement is expected this morning.

Cadbury, which took an initial stake in Dr Pepper in 1986, has over the past year assiduously courted the company and its largest individual shareholders, Mr John Albers, chairman, and Mr Ira Rosenstein, chief financial officer.

They rejected Cadbury's request for board representation or co-operative ventures while holding out for a higher bid price.

Triarc, the New York owner of Royal Crown Cola and supplier of drink syrups to Cott, the Canadian bottler which has stormed the own-label market in North America, the UK and Spain, also considered a bid for Dr Pepper last year. There was speculation in the US at the weekend that Triarc might later buy Seven-Up US operations from Cadbury.

The Dr Pepper deal coincides with a period of considerable change in the US soft drinks market. Growth in sales of traditional cola drinks has slowed as consumers demand more choice and variety.

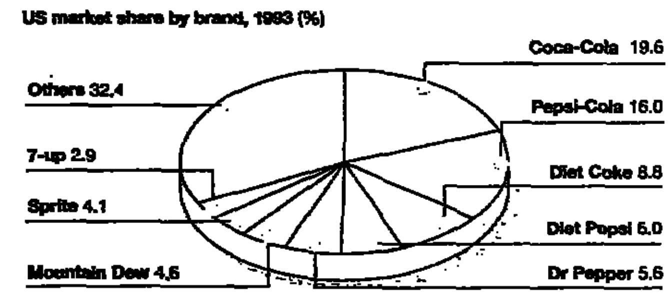
The fastest growing beverages in the US are now non-cola drinks, especially those with a healthy image such as iced teas and juice-based drinks.

Dr Pepper/Seven-Up Companies has benefited from the US consumer's shift towards non-cola drinks.

In the quarter to last September, pre-tax profits shot ahead by 20 per cent to $34m, although net profits fell from $23m to $20m.

Soft drinks

US market share by brand, 1993 (%)



Source: Wheat First Butcher Singer

Portugal's $2bn loan to set benchmark on cost of funds

By Martin Brice in London

Tough competition among international banks is bringing down the cost of funds for top-class borrowers.

Banks are this week preparing to lend Portugal DM3bn ($2bn) at the thinnest margins recently offered to any borrower in a move that is expected to set a new benchmark for interest rates in the highly competitive international loans market. Other potential borrowers, including governments, public institutions and corporations, are likely to seek to use the Portuguese loan as a precedent in their own negotiations with bankers.

The cost of the loan is just 7.75 basis points over the London inter-bank offer rate (Libor), even lower than the wafer-thin 8 basis points over Libor paid by Sweden for its jumbo $6bn deal arranged before Christmas. A basis point is 100th of a percentage point.

The cost of bank loans has fallen about 50 per cent within the past year as banks have competed aggressively to lend while borrowers have remained wary of increasing their debts.

Competition among banks to take part in the Portugal loan was so intense that the Republic is believed to have received unsolicited offers, some of them for funds at a rate lower than the 7.75 basis points accepted.

This is Portugal's first syndicated Euroloan since 1988 and the scarcity of sovereign borrowers in the Euro lending market added to the competition for the mandate. The mandate was awarded late last week to a group of six banks, which included two Portuguese institutions.

The banks arranging the loan are Banco Comercial Portugues, Banco de Fomento e Exterior, Chemical Bank of the US, the Industrial Bank of Japan Ltd, National Westminster Bank from the UK and Swiss Bank Corporation.

The loan, which will be launched early this week, is for a five-year revolving credit. Portugal will pay a facility fee of 3.75 basis points of the DM3bn total to have the funds available, and will pay an additional fee of 4 basis points over Libor on the amount it uses. This puts the cost of the funds it uses at 7.75 basis points over Libor.

● Intense speculation over the political future of Prime Minister Anibal Cavaco Silva revived at the weekend despite his recent pledge to carry on until October elections, adds Reuter.

Unconfirmed press reports said Mr Cavaco Silva, who is said to be tired and disillusioned after nearly a decade in power, would reveal today whether he intends to stand for a new term after the parliamentary elections, quit to run for the presidency next year or abandon politics altogether.

Berlusconi signals likely truce with Italy's new PM

By Andrew Hill in Milan

The chances of Mr Lamberto Dini, Italy's new prime minister, gaining parliamentary backing improved over the weekend, after his predecessor, Mr Silvio Berlusconi, signalled he that might be ready to reach a truce with the new government.

Mr Berlusconi's more emollient tone should ease the pressure on Mr Dini ahead of Wednesday's parliamentary vote of confidence in the new administration.

Mr Dini will today begin to market his new technocratic government to the Italian parliament, when he presents a limited work programme centred on a mini-budget to raise around L15,000bn ($9.23bn).

Mr Dini was treasury minister in the Berlusconi government, but his choice last week of a government of technocrats – mainly academics or politically neutral business figures – and his failure to fix an election date alienated his former allies. Mr Berlusconi and his supporters openly accused Mr Dini and President Oscar Luigi Scalfaro of acting in bad faith by not committing the country to new elections in June.

But in a statement released on Saturday, the former premier and media magnate denied he had an "electoral obsession," and said he only wanted a new poll "in a reasonable time". He welcomed indications by some new ministers that their departments would seek to accomplish their limited tasks quickly.

Political commentators said yesterday that by underlining the transitory nature of his government in his speech today, Mr Dini could win the support – or at least the abstention – of Mr Berlusconi and his allies in Wednesday's vote.

However, Mr Berlusconi and his supporters still claim a new poll is the only way to avoid a breakdown of confidence between the electorate and the elected. "Nobody can deny that with the defection of Umberto Bossi [leader of the populist Northern League] and other deputies elected together with Forza Italia [Mr Berlusconi's political move

Continued on Page 14

CONTENTS

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.80	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.80
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (mainland)	Es230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Germans snub Grachev over Chechnya

By Chrystia Freeland in Moscow and Bruce Clark in London

Mr Volker Rühe, the German defence minister, has told his Russian counterpart, General Pavel Grachev, that he is not welcome in Germany following his outspoken attacks on advocates of peace in Chechnya.

In some of the bluntest language from a senior western politician since the Chechen war began, Mr Rühe accused Gen Grachev of engaging in "unacceptable slander" against liberal Russians who oppose their country's military action.

The German minister's comments – in an interview with Bild newspaper to be published today – were a reference to attacks by Gen Grachev on two respected reformers.

The general had described Mr Sergei Kovalyov, a former prisoner of conscience, as an enemy of Russia, and called the parliamentarian Mr Sergei Yushenkov a "sleazebag" who had betrayed his background as an army instructor in philosophy.

Mr Rühe said he "did not expect" Gen Grachev to attend a forthcoming security conference in Germany. This was understood to be a signal that the Russian minister was not welcome.

Mr Rühe's frankness was in contrast with the more flexible note struck by most western foreign ministers, who have combined regret over the bloodshed with assurances of faith in President Boris Yeltsin and the reform process.

Mr Klaus Kinkel, the German foreign minister, will today brief his European Union counterparts on talks in Berne with Mr Andrei Kozyrev, his Russian opposite number.

Mr Kozyrev assured Mr Kinkel that a more peaceful phase in Chechnya had begun. "There is now a new stage," the Russian minister said. "From a military stage [we have moved on] to a return to a civil structure and a return to the population of it civil rights."

These comments were in line with an effort by Moscow to deflect western and domestic criticism of the conflict by saying it is almost over.

Mr Yeltsin spearheaded this hearts-and-minds campaign last week, when he seized upon the capture of the presidential palace in Grozny to declare the war "effectively over".

Efforts to relegate the Chechen conflict to the back burner received a boost yesterday when an anti-war rally attracted a small turnout. Less than a thousand people braved cold weather to attend.

Mr Sergei Stepashin, the counter-intelligence chief, claimed over the weekend that Russian forces had made slow progress because of their desire to minimise civilian casualties. In fact, witnesses have reported hundreds of civilian deaths from apparently indiscriminate bombing.

Western foreign ministries, although critical of Russia's brutal methods, have responded enthsiastically to any small gestures made by Moscow, including its willingness to confer with the UN and the Red Cross.

One senior western diplomat in Moscow said the west must moderate its criticism of Russia and bear in mind the fact that Mr Dzhokhar Dudayev, the Chechen leader, is "as bad as Saddam Hussein".

Capture of Grozny unlikely to be the end

By Steve LeVine in Chechnya

Grozny's presidential palace may have fallen, but to judge by the undaunted spirit in the small towns immediately to the south, the toughest part of the war in Chechnya may be still to come.

Observers have predicted that once Grozny falls to the Russians, the war waged by separatists will subside into a low-intensity, guerrilla conflict in the southern highlands.

But in Chechnya, things do not look that simple. As well as hit-and-run warfare in the mountains, the Russians could still face a long struggle to capture towns in low-lying parts of the rebel republic.

"If the Russians come here, the same thing will happen to them as did in Grozny," says Mr Anzor Muzalatov, commander of the Chechen forces in a township to the south of the capital. "They will have to fight us house to house."

To judge by the ruthless tactics employed so far, Russian forces will make heavy use of air power and long-range artillery in their effort to subdue southern Chechnya.

However, those methods alone seem unlikely to be enough. If Russia wants to be seen to be in control of the main towns, it will have to make further commitments of ground forces, and accept the possibility of significant casualties.

A blunt admission that a long struggle lies ahead was made yesterday by Mr Salembek Hajiev, prime minister in Chechnya's Moscow-approved government-in-waiting.

Interviewed in Znamenskoye, north-west of Grozny, he said it could take 18 months to subdue forces loyal to President Dzhokhar Dudayev, leader of the Chechens' struggle for independence. Mr Hajiev hoped to establish an office in the Russian-controlled sector or Grozny within 10 days. He threatened to bring murder charges against Mr Dudayev, a former air force general.

None of this impresses the fighters under Mr Muzalatov's command. His unit initially numbered about 300, but 22 were killed or injured in the mayhem of Grozny. Casualties were clearly much higher among units involved in fighting around the palace. One of Mr Muzalatov's friends led a 23-man unit that covered the palace door as Russian prisoners and Chechen wounded were evacuated; just seven of the unit survived.

But the pro-Dudayev forces seem only to have been galvanised by the loss of comrades.

Heavily armed Chechens leave central Grozny to continue their fight yesterday Reuter

One separatist fighter, Mr Adi Ismailov, pulls a stack of photographs from his shirt pocket. He found the pictures, showing a Slavic woman and some children, in an abandoned military truck.

He plans to write to the Russian families the snapshots depict. "We'll ask the sons and sisters of these soldiers to take them back – we don't want to kill them yet."

German unions offer to trade pay for jobs

By Andrew Fisher in Frankfurt

German trade union leaders said they were willing to consider shorter working weeks with reduced pay for their members if it helped to create more jobs – a concession which holds out hopes of constructive talks with Chancellor Helmut Kohl this week over employment prospects.

Mr Kohl will meet employer and union representatives on Wednesday to consider ways of encouraging job creation. Despite economic recovery, unemployment remains high. Nearly 3.6m people were out of work in December.

Speaking at the weekend, Mr Roland Issen, head of DAG, the white collar union, said: "We would be ready to negotiate over shorter working hours, without the same pay, if we could really obtain a guarantee of more jobs." He said the union had to accept that shorter working weeks could not be achieved on full pay.

Mr Dieter Schulte, head of the German trade union federation (DGB), said unions might be willing to make some financial concessions if four-day working was introduced. He also indicated Saturday working might be acceptable. Mr Issen said weekends should remain free.

Welcoming unions' willingness to discuss shorter hours without insisting on unchanged pay, Mr Günter Rexrodt, economics minister, said: "This is a proper proposal and it is good that the unions are becoming more flexible." Mr Klaus Murmann, head of the employers' federation, said Mr Schulte's comments represented "gratifying progress".

The signs of union flexibility reflect growing awareness that economic growth alone will not cut unemployment significantly. The government's 1995 economic report, due shortly, is expected to forecast a cut of 300,000 in the jobless total this year with the economy growing at around 3 per cent, slightly faster than in 1994.

Unions are also expected to put more emphasis on preserving jobs than on high settlements in the 1995 wage round. Claims are around 6 per cent, but most economists expect moderate settlements of 3 per cent or so.

As high costs and the 1993 recession eroded profitability, German companies have shed staff, cut costs and invested more abroad. Volkswagen last year implemented a four-day week, with reduced pay, to save jobs.

Both Mr Rexrodt and Mr Murmann said a four-day week should only be introduced where appropriate – not, as the DGB suggested, for all employees – and companies should be able to work on Saturdays. Mr Rexrodt was sceptical about union demands that employers should give job guarantees.

● The home of a former German junior minister was bombed early yesterday but he and his wife were out and no one was injured, the federal prosecutor's office said, Reuter reports from Hanover.

A note claiming responsibility for the attack on the house of Mr Volkmar Köhler in the northern town of Wolfsburg was found nearby.

The prosecutor's office said the note appeared to come from the Anti-Imperialist Cell a radical offshoot of the left-wing Red Army Faction urban guerrilla group.

English fishermen prepare to take on second Spanish Armada

But the Galicians think they are the real victims of EU policies, writes Jimmy Burns

In the northern Galician town of La Coruña, the tomb of Sir John Moore, the 19th-century British general who helped the Spaniards in their War of Independence, has long stood as a reminder of Anglo-Spanish co-operation in difficult times.

But the row over European Union fisheries policy is throwing up less benevolent ghosts – those of the ill-fated Spanish Armada that sailed from there in 1588, to be beaten by Sir Francis Drake.

La Coruña and the neighbouring port of Vigo will provide most of the 40 fishing vessels which from next January 1 will be allowed into EU waters immediately off the coast of Ireland, the so-called Irish Box.

This is being resisted by English fishermen and their allies in the British Conservative party's Eurosceptic wing. A last-minute offer of compensation by London last week has not deterred British fishermen from threatening a protest campaign to prevent Spanish access to the Irish Box.

One Tory Eurosceptic MP told the House of Commons last week: "The day of reckoning is at hand and a Spanish Armada is now less than 12 months away. What will take the place of the good sense of English fishermen is the greed, the cheating, the fraud of Spaniards. This will take place very savagely..."

In Galicia such Elizabethan rhetoric meets incredulity from officials, vessel owners and fishermen. Far from basking in imperial grandeur, the Spanish trawler fleet feels curbed and discriminated against by EU licensing rules.

More than a quarter of the "Armada" fishing in EU waters out of La Coruña are vessels registered in the UK and carrying Red Ensigns. Employing Spanish crews and token British or Irish captains they pay British taxes and will have access to the British government's compensation scheme, which includes a decommissioning programme.

In size and sophistication, these Anglo-Spanish boats are no better or worse than the Spanish-flagged vessels: rusty hulks, many of them 15-30 years old and locally referred to as "floating coffins".

"Fishing is a fundamental and strategic part of our economy," says Mr Juan Caamano, head of the Galician regional fisheries department. "It's vital for our development and yet we have more restrictions placed on us by the EU than any other fleet. Before we joined the community there were 415 Spanish boats fishing in EU waters in the Atlantic off Ireland. Today there are 253. We are European citizens and yet we are not equal."

The decision to grant limited access to the Irish Box – though short of Spanish demands – is broadly welcomed.

Mr Eliseo Varela, a soft-spoken and most unwarrior-like Galician, plans to fish in the Irish Box from next year. He wants to catch hake, which is popular among Spaniards, the biggest consumers of fish in the EU. "Everyone is looking after their own interests. We are not warriors, we are workers trying to make a living. But I'll be fishing with the authorisation of the EU, and if the British tell me to get out, I won't. I have the law on my side," says Mr Varela.

However, Galician fishermen admit that they do not always have the law on their side, and that Spanish monitoring and enforcement are *sometimes* lax.

Another member of the Spanish "Armada" is Mr Angel Figuieras, who remembers the days when the British concentrated on the North Sea and left the coastal waters further south, the *Gran Sol*, to the Spaniards. "We are conscious that we have to cheat to survive. But there are no greater cheats than British fishermen," says Mr Figuieras.

He resents the way British fishermen in recent years have been allowed to fish in EU waters from which Spaniards are excluded, and to market their catch in Spain.

While the predatory instinct natural to fishermen universally is to be found in Galicia, it is not universal. At the harbourside fish market of La Coruña, Mr Manolo Rubio was busy selling off crates of hake and cod. "What I am most worried about is that the more EU waters are fished, the more we're going to threaten the fish population's ability to replace itself. I can see my crates going empty in the future and my children going hungry if this goes on," says Mr Rubio.

Another fisherman, Mr Rafael Insua, says he is in favour of his government decommissioning boats, and compensating those put out of work. "Fishermen throughout Europe, not just Spaniards, should share the blame for exhausting stocks. If we don't cut back, the sea will just go on giving us less and less," says Mr Insua, who is volunteering his redundancy.

Generally Galicians play down the prospect of confrontation with the British, confident that if it comes to blows it will be the British fishermen – less politically protected than their Spanish counterparts – who will have the most to lose.

"We expect EC governments, beginning with the British themselves, to ensure the safety and the good conduct of Spanish fishermen," says Mr Hugo González, another regional fisheries leader based in Vigo. "But if things get violent, we'll stop British fishermen from having access to our very lucrative market."

Campaigners urge Britain to pull out

A campaign to pull Britain out of the European Union's Common Fisheries Policy won backing at the weekend from fishermen's leaders in England, Wales and Northern Ireland, Alison Maitland writes. The National Federation of Fishermen's Organisations, which represents about 6,000 fishermen, plans to lobby members of parliament and stage demonstrations in towns and cities across the country.

The campaign, started by fishermen in south-west England, was triggered by last month's deal in Brussels to allow the Spanish and Portuguese fleets greater access to waters off the UK and Ireland from next year.

Mr Richard Banks, the federation's chief executive, said fishermen were angry at Britain's lack of influence among member states over a policy most closely affecting its own industry. "They feel there's no future for them in the Common Fisheries Policy," he said.

The British government has ruled out unilateral withdrawal from the fisheries policy because it would breach EU rules on free trade in fish. But Mr Banks said Britain could model a national fisheries policy on that of Norway, which has bilateral agreements with other countries involving reciprocal access to each other's waters. "We're not saying no French vessels will be allowed into UK waters, but a country like Spain which doesn't give us reciprocity – why should they be allowed in?"

The federation is joining forces with the Save Britain's Fish campaign, which has strong backing among English as well as some Scottish fishermen. But Mr Banks said the Scottish fleet was split on the issue, with many of its 8,000 fishermen regarding abandonment of the fisheries policy as unrealistic.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.
FRANCE: Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.
DENMARK: Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

Mexicans to unveil new crisis measures

By Leslie Crawford in Mexico City

Mr Guillermo Ortiz, Mexico's finance minister, is today expected to unveil further measures to deal with the country's financial crisis, including deep cuts in government spending, in a speech to the national Chamber of Deputies.

Foreign and Mexican investors hope the speech will also contain details of how the government intends to restructure some $29bn (£18.5bn) of *tesobonos*, the dollar-linked, short-term Treasury bills at the heart of Mexico's liquidity problems.

The finance ministry and Banco de Mexico, the central bank, are known to be working on a refinancing package aimed at convincing holders of *tesobonos* to reinvest the proceeds at maturity into longer-term Mexican debt instruments. The success of the debt restructuring plan, however, depends on the availability of US loan guarantees, which are being held hostage to political infighting in Washington.

Speculation against the Mexican peso is expected to continue until a solution can be found for the *tesobono* debt, more than 80 per cent of which is held by foreign investors.

Mr Ortiz is likely to be questioned closely in Congress over the guarantees Mexico is offering in exchange for the $40bn US rescue plan. Mexican pride has been pricked by Washington's insistence that US loan guarantees be paid for with Mexican oil revenue.

While Mr Ortiz has neither confirmed nor denied that oil forms part of the deal with Washington, ministers in President Ernesto Zedillo's cabinet have been quick to defend Mexico's sovereignty. "Our oil will not be mortgaged, nor will it form part of any loan guarantees," Mr Ignacio Pichardo Pagaza, energy minister, said at the weekend.

Mr José Angel Gurria, the foreign minister who was Mexico's chief debt negotiator during the 1980s, said after visiting Washington last week that Mexico would not enter into any agreement with the US that would harm the country's sovereignty.

Mr Ortiz is expected to inform Congress that the government's investment budget will be slashed by 11 per cent, while current expenditures will also be contained. All new investment projects scheduled for 1995 are to be suspended.

Tabasco talks add spice to Zedillo's imbroglio

By Ted Bardacke in Villahermosa

Mexican President Ernesto Zedillo's ambitious plan to overhaul the country's political system to shore up his waning popularity hangs on negotiations in the southern state of Tabasco following an unprecedented rebellion by members of his ruling Institutional Revolutionary party (PRI) last week.

In a decaying concrete building surrounded by banana plantations outside the state capital Villahermosa, local representatives of the PRI and the leftist opposition Party of Democratic Revolution (PRD) are trying to hammer out a deal.

Local officials of the ruling party want Tabasco Governor Roberto Madrazo to stay in power. However, the PRD claims the governor was elected fraudulently last November and is demanding that extraordinary elections be held in the state.

During a recess in talks on Saturday, negotiators confided that the PRI had proposed to hold a referendum on whether to call new elections in the state, but had rejected any proposal that automatically required Mr Madrazo to resign before his term ended in six years.

If the talks fail, PRD officials say they will pull out of a national political accord signed with much fanfare last Tuesday. In return for a government pledge to reform Mexico's electoral system, opposition parties promised to halt their protest campaigns – which turn every election result into a source, rather than a resolution, of conflict.

Tuesday's agreement also called for a quick settlement to the simmering dispute over alleged electoral fraud in Tabasco. Federal government officials said such a settlement would have involved new elections and Mr Madrazo eventually being removed from office.

But when local business leaders who funded Mr Madrazo's lavish electoral campaign last year got wind of the plan, they paralysed commerce in the state in protest. Local PRI officials refused to accept that Mr Madrazo be asked to quit, beat up PRD protesters camped out in the central plaza and forced the federal government to backtrack.

"Any national agreement which in the name of democracy violates the will of the people of Tabasco is not acceptable," said Mr Pedro Jimenez, president of the local congress and member of the PRI, who, in a fiery speech last Thursday, had a crowd chanting anti-Zedillo slogans. "The president said he was going to strengthen the rights of states. We are going to hold him to his word."

The PRD is also testing the ability of Mr Zedillo to impose a solution on his own party. "Zedillo is trapped," said Mr Andres Manuel López Obrador, leader of the local PRD. "If he cannot hold up his end of the agreement here in Tabasco then what guarantee do we have that he can do it on a national level?"

OBITUARY: Bernard Dumon

Cosmopolitan head of Saint Louis

Mr Bernard Dumon, the chairman and chief executive of the Saint Louis food and paper group who died aged 59 in an aircraft crash in Paris on Friday, was the architect of one of France's biggest corporate expansions in recent years as well as a prominent member of the business establishment.

In his 15 years at the head of Saint Louis he diversified the group from sugar into other food products and paper, taking a 40 per cent stake in UK-based Arjo Wiggins Appleton, and increased its turnover tenfold in the last seven years. He had positioned the group for further expansion by amassing over the past year a FFr7bn (£843m) "war-chest" for possible acquisitions.

Mr Dumon, a graduate of Stanford University and the elite Ecole Polytechnique, was one of the most cosmopolitan of French businessmen, speaking excellent English and operating his business on a pan-European scale.

After Stanford he entered the family business, Union Sucrière de l'Aisne, where he rose to become chief executive by 1971. In 1974 he started his career with Saint Louis by joining its sugar subsidiary, Générale Sucrière, where he became chief executive in 1980.

In 1981 Mr Dumon took over as head of the Saint Louis group. Following the bad sugar harvest of 1984-85 he decided to diversify and after a long stock market battle he acquired the Lesieur group in 1986, making Saint Louis the second largest domestically owned French food group behind Danone.

But he had little time to enjoy the fruits of this success before Ferruzzi of Italy launched a takeover bid in 1987, which Saint Louis fought off, but at the cost of having to surrender most of Lesieur to Ferruzzi's French subsidiary, Eridania Beghin-Say.

Undaunted, Mr Dumon was back pursuing diversification the following year. In 1988 he moved Saint Louis into prepared foods by creating Euralim out of several small companies, and into paper by buying Arjomari-Prioux, which merged in 1990 with Wiggins Teape Appleton of the UK to form Arjo Wiggins Appleton, one of the world's top 10 manufacturers of specialised paper.

Some ventures failed, such as Saint Louis' part in the 1992 attempt by its two leading shareholders – IFIL, the industrial holding of the Agnelli family, and Worms, the French holding group – to take control of Perrier. However, Mr Dumon appeared on the verge of springing new surprises. Last autumn Saint Louis gained an injection of cash when IFIL decided to raise its stake to match Worms.

Mr Dumon is survived by a wife and two sons.

Board to select successors

The board of the Saint Louis food and paper group will hold an emergency meeting in the next couple of days to choose successors to its chairman and chief executive, Mr Bernard Dumon, and Mr Max de La Giraudière, a board member and head of the sugar division, who were among 10 people who died in a Paris air crash on Friday, writes David Buchan in Paris.

Mr Dumon's successor is expected to be drawn from outside the group, which he built up over the past 15 years to a FFr35bn (£4.23bn) a year business.

At the weekend Saint Louis' two main shareholders – Worms, the French holding company, and IFIL, the industrial holding group of the Agnelli family – moved to scotch speculation about big changes in the group following the deaths of Mr Dumon, of his brother Yves, who was a manager of Saint Louis' joint venture with Danone, and of Mr de La Giraudière.

They were setting off on a trip to consider a sugar investment in Romania when an engine of their executive jet caught fire. The aircraft burst into flames on making an emergency landing.

A spokesman said Worms, which owns 28 per cent of Saint Louis, confirmed its intention to develop the group, which in turn controls 40 per cent of Arjo Wiggins Appleton, the UK-based specialist paper company. Worms also claimed to be speaking for IFIL, which has 26 per cent of Saint Louis' shares.

The differing nature of Saint Louis' paper, food and sugar activities has occasionally raised suggestions of a break-up.

Clinton to address state of disunion

By Jurek Martin in Washington

President Bill Clinton's state of the union address tomorrow night will be delivered into the teeth of a gale of political invective the likes of which Washington has not seen in years.

He gave a weekend foretaste of his thinking in a speech to the Democratic national committee in which he urged his battered party, now in the minority in Congress, "not to be cynical, not to give up, not to turn back".

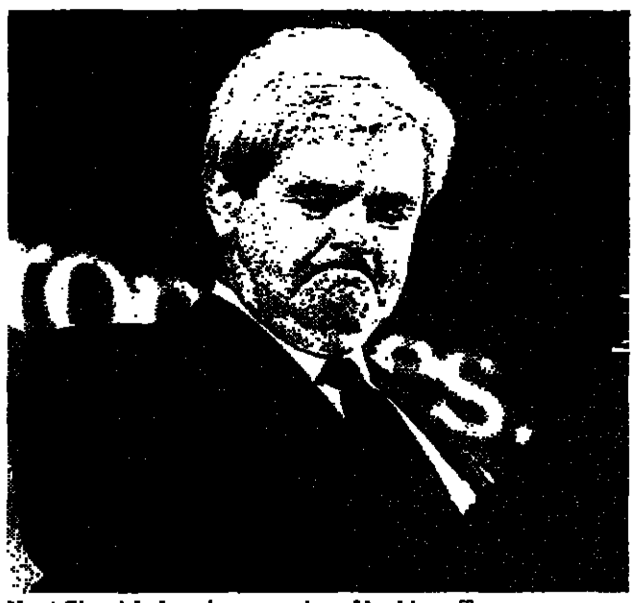
But the revivalist tenor of much of his speech, which included some barbed attacks on the Republican majority, had to be set against reflective passages in which he regretted the decline in civil political discourse.

Mr Clinton feared that "the American people have become political couch potatoes, very often no more involved in politics than they are in the [football] Super Bowl." This he attributed to the barrage of negative political advertising and debate which dominated the mass media.

But Senator Robert Dole, the Republican leader, gave a speech to his party faithful in which he put the blame for any deterioration squarely on the shoulders of the Democrats. Defending Mr Newt Gingrich, speaker of the House, he said the Democrats should "get off Newt and get on with the issues".

However, Mr Dole on television yesterday again implied Mr Gingrich might be better off severing his book contract with a publisher owned by Mr Rupert Murdoch. "He is speaker now," the senator said, not an ordinary congressman, and the Democrats were gaining short-term advantage by exploiting the controversy.

Mr Gingrich has shown no sign of backing off. Washington was still buzzing yesterday at his Friday speech to the Republican national committee, an hour-long address delivered at high speed. In it, he denounced a newspaper article about his book deal as "a piece of trash", called Mr Jim Wright, the former speaker, "a crook", and disparaged Mrs Hillary Clinton for her commodities trading profits.



Newt Gingrich: has shown no sign of backing off Reuter

But his sharpest assault was on the Democrats. "I am a genuine revolutionary," he declared, "they are genuine reactionaries. We are going to change the world, they are going to do everything they can to stop us. There is no grotesquerie, no distortion, no dishonesty too great for them to come after us."

Both Mr Clinton and the First Lady preferred to return the heat with humour, though there were placards in the Democratic audience saying: "Newt – a slimy animal".

The president linked the book deal to the speaker's determination to eliminate federal funding for non-commercial broadcasting. "It's a funny world they're sketching," he said, "in which Big Bird [the Sesame Street character] is an elitist and right-wing media magnates are populists."

Mr Clinton has been preparing with accustomed thoroughness for the state of the union address, last weekend inviting a group of historians and scholars to the Camp David retreat for a brainstorming session. The White House spokesman said the address would be "longer on vision and shorter on the laundry list".

NEWS: INTERNATIONAL

China and US close to piracy pact

By Tony Walker in Beijing

The US and China are nearing agreement on steps to curb rampant piracy of American products following three days of talks which adjourned at the weekend. A pact would forestall threatened US sanctions against $1bn of Chinese exports.

Officials said technical details remained to be ironed out but broad agreement on the need for action had been reached, including specific steps against the main culprits.

Negotiations resume tomorrow to put the finishing touches to an agreement that has been the subject of difficult discussions over the past year.

The US cut short negotiations in December in protest at lack of progress and initiated a sanctions process under Section 301 of the US Trade Act. China threatened retaliation. But with billions of dollars in exports at stake, Chinese negotiators are said to have approached these latest talks with greater purpose.

The US had threatened to impose sanctions by February 4 unless China agreed to specific measures to curb piracy. US officials have identified 29 plants in south China producing counterfeit compact and laser discs, mostly for export. The International Federation of the Phonographic Industry estimates that in 1994 Chinese pirates produced some 75m CDs, 70m of which were exported.

The computer software industry is also being hit hard. Industry representatives noted that 1m personal computers were sold in China last year, but software sales reached only $1m. This expenditure on software of $1 per new computer compares with $30 in India and $300 in the US.

China's official media has in the past week or so struck a more conciliatory tone in its reporting of the row with the US.

The official Business Weekly said yesterday that China admitted there were problems with the implementation of its intellectual property rights regime "but as everybody can see, the Chinese government is sincere in strengthening such enforcement".

The newspaper also said US efforts were "indispensable" for stopping copyright piracy in China. This was a reference to China's claim that US interests are helping to fund some Chinese pirate plants.

Tunis deal on terrorism

Interior ministers from four European and two north African countries meeting in Tunis over the weekend pledged to step up co-operation and increase the exchange of information to fight terrorism and fundamentalism, writes Roula Khalaf.

The meeting, an initiative of Mr Charles Pasqua, the French interior minister, brought together ministers from France, Italy, Spain and Portugal with their counterparts from Tunisia and Algeria. It was, however, clouded by the absence of Morocco which had been expected to attend but declined.

A joint statement said the participants agreed to hold meetings at least once a year and have their heads of security meet every three months, according to the Tunisian press agency. They also called on the European Union to increase aid to north Africa. France, Spain and Italy believe economic development will help stem the rise of Islamic extremism there.

● Islamic fundamentalists shot dead a French trader in Algiers yesterday and the radical Armed Islamic Group told television and radio journalists in Algeria at the weekend to stop work immediately or face attack, reports Reuter.

De Klerk's party struggles to define new role

Members find it hard to accept being junior partner, write **Roger Matthews** and **Mark Suzman**

The National party in South Africa last week exhibited many of the symptoms of an organisation in distress. After the electoral defeat last year which ended nearly half a century of absolute power, the party's faithful gathered for its three-day federal congress in Johannesburg anxious to hear some statement, speech or policy proposal which might dent the nagging fear that the National party will never again head the government in Pretoria.

What it heard instead was a leadership still seeking to adjust to life as a junior partner in government, and unconvincing about its future.

The dilemma for the party is personal, structural and intellectual. Whether to remain in the cabinet, whether to become a full blown party of opposition, whether to boast of past achievements, or whether to risk being sunk by them.

So it was that on Wednesday night and Thursday last week, Mr F W de Klerk, party leader and deputy president, was on the brink of pulling out of the cabinet because he believed he had been insulted by President Nelson Mandela. But, by Friday afternoon, a previously "deeply upset" Mr de Klerk was again wreathed in smiles, having met Mr Mandela and accepted the president's wish to make a "fresh start".

De Klerk: failing to convince voters the National party represents the nation's aspirations Reuter

Mr de Klerk had in the interim offered the conference a litany of complaints against the African National Congress and sought to present his National party as the defender of democracy against the bullying instincts of Mr Mandela and his ministers. If such political cross-dressing momentarily bolstered the spirits of the 1,200 delegates, it also revealed divisions among the party leaders and appears to do have contributed little to the deeper debate about the future.

That debate, insofar as it has been joined, is severely hampered by the past. The immediate cause of the row between President Mandela and Mr de Klerk centred on whether the outgoing administration was aware of, or had sought to grant, an application for indemnity from prosecution sought by two former cabinet ministers and 3,500 policemen. Mr Mandela thought it inconceivable that the former president had not been aware of such a move. Mr de Klerk responded that the "information was never in my office" and said ANC accusations were an attack on his honour and integrity.

The promised "fresh start" is unlikely to dispel the undercurrent of antipathy which has developed between the two leaders. With so many contentious issues still to be tackled, further disputes between the ANC and its junior partner are inevitable. And, as last week's clash over the amnesty issue demonstrated, when that happens the National party is almost certain to be the loser.

It was this realisation, and how best to deal with it, that dominated proceedings at the three-day conference. The gathering's slogan – "We made the change, now we're making the difference" – was designed to highlight the party's self-appointed role as the constitutional "check" against possible excesses by ANC radicals.

The reaction of the markets to rumours of Mr de Klerk's imminent resignation on Thursday morning, with the rand and equities both falling and bond yields rising, gave some credibility to the public perception of that role. It was a reaction that Mr de Klerk later referred to with satisfaction, reminding the ANC that while it might no longer be convinced of the need for a government of national unity, international investors did not doubt its desirability.

Describing the party's most recent achievements, Mr de Klerk cited its success in transforming ANC economic policy to embrace free market principles. There may be some justification for this claim, but no senior economic portfolio is now held by a National party member, making it difficult to see what "difference" the party is able to make.

Its traditionally conservative stand on issues such as law and order and abortion has wide voter appeal, but it will take rather more than the sight of Mr de Klerk's appearance on stage being celebrated by a cluster of black delegates bopping to the beat of township music to convince voters that the party that once championed apartheid now represents the aspirations of the entire nation.

It was a contradiction that surfaced again in Mr de Klerk's closing address. While calling for the aggressive recruitment of black members, he said the party's main aim in drafting a final constitution was to protect the cultural and linguistic rights of minorities, which, he insisted, had "nothing to do with race". Little better illustrated the length of the journey the National party has yet to travel before it can be sure it has a future in South African politics.

Tel Aviv bomb steps up pressure for peace freeze

By Julian Ozanne in Jerusalem

Domestic pressure on Israel's Labour-led government was growing last night as the cabinet absorbed the shock of a suicide bombing and confronted deep internal divisions on policy towards Jewish settlements in the occupied West Bank.

The Islamic suicide bombing which killed 18 people yesterday at a crowded bus stop north of Tel Aviv came as the cabinet had just decided to set up a ministerial committee to monitor settlement activity in the West Bank. Israeli prime minister Yitzhak Rabin broke off the meeting and cancelled a speech to mark the 50th anniversary of the liberation of Auschwitz to dash by helicopter to the scene of the carnage.

Senior politicians and government officials said the bombing would further erode public support for the peace process and increase pressure on the government to freeze it.

"The bombing hits at the most sensitive nerve in Israel – personal security – and it will move public opinion," said Mr Uri Dromi, government spokesman. "More and more Israelis are asking how long do we have to put up some Palestinians talking peace and others waging terror."

Recent opinion polls have shown support for the peace process and the government slipping rapidly as Israelis feel their personal security deteriorating under the peace process. At least 110 Israelis have been killed by Palestinians since the peace accords were signed in September 1993, almost half in Islamic suicide bombings of buses and bus stops.

A senior Labour party official said there was mounting concern among MPs of the electoral consequences of pressing ahead with the next stage of peace process which involves an Israeli military withdrawal from the West Bank.

"We're in a transition period towards elections and things don't look good," he said. "There will be a trend among some MPs towards populism and at the moment that means pressure to suspend the process until the Palestinians deliver on halting terrorism."

As the cabinet meeting on defining Israel's policy towards settlements reconvened last night there was growing concern within the government about the difficulties of balancing the need for momentum in the peace process with shoring up the government's waning public support.

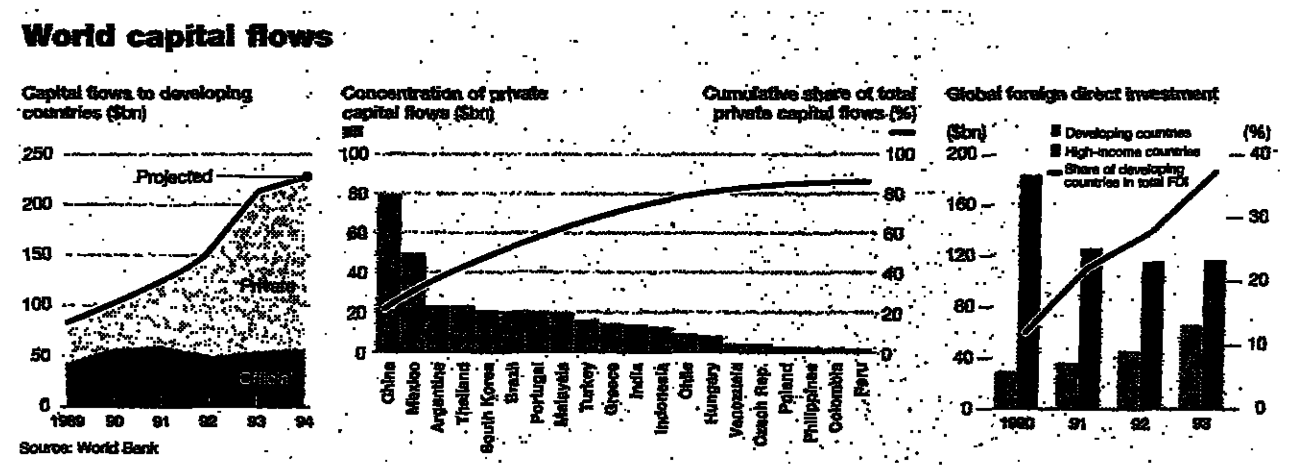
Representatives of the 140,000 Jewish settlers in the West Bank have warned that a government freeze on new housing construction including in Jewish towns that surround Jerusalem will be taken as a "virtual declaration of war".

Yet without a firm government freeze there is a greater risk that the Palestinians, who fear the expansion of settlements rules out any real recovery of their land, will have no option but to withdraw from the peace process.

The cabinet is also split on the issue. The left-wing Meretz party, Mr Rabin's key coalition partner, warned last week it would find it very difficult to stay in the government without a solid freeze on new Jewish housing in the West Bank.

On the other hand Mr Benjamin Ben-Eliezer, the housing minister, said yesterday the bombing proved the government should continue to build up the settlements around Jerusalem to achieve a "Greater Jerusalem".

Last night Mr Ben-Eliezer, normally a close of ally of Mr Rabin, was due to present to the cabinet plans for 8,000 new apartments in Jewish communities just outside Jerusalem. Mr Ben-Eliezer represents others in the cabinet who believe it is in the interests of security and to cement Israel's claim to Jerusalem as its eternal and undivided capital.



Rise in private capital flows to developing world slows sharply

By George Graham in Washington

Flows of private sector capital to the developing countries continued to expand last year to reach a record $173bn (£110.8bn), the World Bank estimates.

But the surge in private capital flows experienced between 1990 and 1993 slowed sharply, the Washington-based development institution says in its annual World Debt Tables, with portfolio equity investment in emerging stock markets falling to $39.5bn from 1993's peak of $46.9bn.

Private sector bank and bond finance continued to grow to $55.5bn in 1994 from $45.7bn in 1993, while foreign direct investment – where the purpose is not a short-term stock market purchase but the acquisition of a long-term management interest, usually with a stake of at least 10 per cent – expanded to $77.9bn in 1994 from $66.6bn in 1993.

All told, private sources of capital accounted for three quarters of the net resource flows to the developing world – a far cry from 1990, when government development loans and grants made up more than half the developing world's capital flows.

Mr Michael Bruno, the World Bank's chief economist, noted that "recent developments in Mexico have very dramatically illustrated the volatility of some types of private capital flows".

Nevertheless, he argued, the factors underlying the increase in private capital flows to the developing world are for the most part structural. There is, therefore, no reason for them to be reversed in the aggregate, although individual countries, particularly those that depend heavily on short-term portfolio flows to meet large current account deficits, may face considerable problems from year to year.

The World Bank study argues that large flows of private capital to the developing countries are sustainable because more than 40 per cent of the private flows take the form of foreign direct investment. This is driven by structural changes in the world economy, not by short-term investment decisions.

The developing countries' share of global foreign direct investment has risen sharply in recent years to 37 per cent in 1993, while flows into industrialised countries have been declining. China is now the world's leading destination for foreign direct investment, attracting about $26bn in 1993.

In addition, most new developing country debt is no longer in the form of commercial bank loans, as in the 1970s, but in the form of bonds issued by a limited number of more creditworthy nations.

The World Bank also argues that institutional investors are still underweight in emerging market securities. While the market capitalisation of emerging stock markets topped $1,000bn in 1993 – around 12 per cent of world market capitalisation – investors such as US pension funds still hold only about 1 per cent of their assets in these markets.

But private capital is concentrated on a handful of mostly middle income countries in Asia and Latin America. Among low income countries, only India and, above all, China have succeeded in attracting significant amounts of private money. Other low income countries, especially those in sub-Saharan Africa, remain heavily dependent on government loans and grants.

Mr Bruno said this underscored the "urgent need to maintain concessional flows to low income countries".

"This will support these countries to successfully pursue the process of reforms that many of them have embarked on, and thus enable them also to obtain access to private capital markets in the medium term," he said.

The World Bank welcomed last month's agreement at the Paris Club, at which creditor countries discuss the rescheduling of government-to-government debt payments, to give more concessional treatment to the poorest countries under the "Naples Terms" named after last year's summit of the Group of Seven leading industrial nations in Italy.

While pressing the case for other official creditors to write off the debts of the poorest countries, the World Bank argues against writing off its own debts.

"The rescheduling of multilateral loans or the write-off of debt (or the use of reserves or loan loss provisions for reduction purposes), as suggested by some, would entail costs to all multilateral borrowers that would far outweigh any benefits to a few," the report says.

See Economic Eye

Mr Kenneth Clarke, the UK chancellor of the Exchequer, yesterday said he would continue to press the International Monetary Fund to ease the burden of its loans on a small number of poor developing member-countries committed to economic reform, write Peter Norman and Stephanie Flanders.

He welcomed the backing given by the World Bank in its debt tables publication for further steps to remove the debt overhang of the poorest countries. However, an alliance of aid charities pressed Mr Clarke to take a bolder approach and to cancel much of the $10bn (£6.4bn) these countries owe the UK.

Ms Ann Pettifor, of the Debt Crisis Network, whose membership includes Oxfam, Christian Aid, and Save the Children, said: "These loans were made to help finance British exports to some of the poorest countries in Africa. Africa is now the only continent with which Britain is running a surplus."

Ms Pettifor said that writing off debt could have a big impact on individual countries at relatively little cost to the UK.

Mr Clarke said he would promote his proposals for a co-ordinated effort to help debtor countries at the spring meetings of the IMF and World Bank in April. He wants loans on easier terms for these nations.

NEWS: INTERNATIONAL

Rains worsen quake-hit Kobe's plight

By William Dawkins in Tokyo

The plight of Kobe earthquake survivors worsened over the weekend as rain brought the risk of landslides and doctors warned of an influenza epidemic.

The rain, the first since the quake struck last Tuesday, killing about 5,000 people and making one in five of Kobe's 1.5m residents homeless, grounded food helicopters and worsened already dense road traffic.

Aid vehicles found the roads further jammed by 250,000 visiting pedestrians who arrived at the nearby railway station of Nishinomiya and walked into the port city to bring supplies to friends and relatives.

Strong aftershocks continued, the worst registering 4.1 on the Richter scale on Saturday night. The weather was expected to worsen. The Osaka meteorological agency warned of floods, lightning, strong winds and high waves along the coast of southern Hyogo, the prefecture which contains Kobe.

Doctors warned that damp, unhygienic living conditions heightened the risk of disease. "Things are likely to get much worse before they get any better," said Mr Kiyoshi Tatemichi, head of the emergency unit at Kobe City General Hospital.

Despite the difficulties, official relief efforts, widely criticised for being slow, appeared at last to be making headway. Electricity and telecommunications had been restored to two thirds of the city and drinking water supplies to half of Kobe, city officials said. Food was more widely available.

Japanese and US military were yesterday putting up tents in 10 camps on the outskirts of Kobe to shelter the 4,000 people reported to be still living in the open. Over the next week, 11,000 temporary homes are to be built, according to the Hyogo prefectural anti-disaster unit. Most of the homeless are camping in public buildings.

Meanwhile, the statistics of death and damage continued to rise, six days after the quake, underlining how ill-prepared Kobe's disaster management system was for a cataclysm of this size. By last night, 4,927 were confirmed dead, 185 unaccounted for and nearly 26,000 injured. The number of homeless now appears to have stabilised at about 300,000. Similarly, the estimate of the number of homes and other buildings destroyed or damaged in Hyogo has risen to 50,702, according to the National Police Agency, more than double the initial count.

The quake was Japan's biggest for more than 70 years and its biggest natural disaster since a typhoon killed nearly 4,700 people in central Japan in 1959.

An earthquake measuring between 5 and 7 on the Richter scale shook the Kurile Islands in eastern Russia yesterday, writes Chrystia Freeland in Moscow. There were no casualties or significant damage to property on the sparsely inhabited islands, Russian officials said. The islands, annexed from Japan by Moscow after the second world war, are 1,200km from Kobe. In Colombia an earthquake with a preliminary magnitude of 5.7 rocked an area 120km north-east of Bogotá. It followed a series of quakes between Thursday and Saturday which killed eight people, injured more than 50 and left more than 2,000 homeless.

Chinese reform 'faces pivotal year in 1995'

By Tony Walker in Beijing

China's State Statistical Bureau has described 1995 as a "pivotal year" for economic reform, with the country facing big challenges in curbing inflation, salvaging faltering state-owned enterprises and maintaining agricultural production.

The bureau, whose long assessment of the economy was published by the People's Daily, the Communist party newspaper, urged continued monetary restraint to guard against economic overheating, but it also warned of dangers arising from an investment slowdown.

It said in its report that if controls on new investment were too rigid this would threaten stagflation – continued high inflation and slowing economic growth.

Economic growth should range between 8-10 per cent while inflation should be kept below 15 per cent, the bureau, whose influence in economic policy-making has increased over the past year or so, added. China's economy grew by 11.8 per cent last year following growth rates of about 13 per cent in the previous two years. Consumer prices rose 24.2 per cent.

Among state-owned enterprises the bureau identified light industry, machinery, chemicals, textiles, coal, defence and non-ferrous metals as the main weak spots, accounting for 80 per cent of losses in the state sector.

The report said: "1995 is the last year of the eighth 'five-year plan'. It is a pivotal year that links the past with the future... two tasks remain pressing: continued macro-economic control and deepening reforms."

The bureau also urged concerted action in dealing with a "weak and unstable" agricultural sector. Its report coincided with an announcement that the government is to boost investment in agriculture to arrest a slide in grain output.

Mr Chen Yaobang, a vice-minister of the state planning commission, said the government would lift investment by 25 per cent this year in agriculture infrastructure, including irrigation, soil conservation, road construction and land reclamation.

Forty per cent of the government's "policy loans" would flow in 1995 to agriculture and farm-related industries. In all, 10 per cent of bank loans nationwide would go to the sector.

This reflects increasing government concern at signs of a slump in production and growing dissatisfaction among farmers, squeezed by higher production costs and inflation. Grain output fell by 11.9m tons last year to 444.6m tons while cotton production is also flagging.

Japanese politicians draw the media's fire

A cartoon from Yomiuri Shimbun's Thursday edition depicts the events weighing on Prime Minister Tomiichi Murayama's mind. It reads, at the top, Hyogo earthquake while the man hang-gliding off his brow is Mr Sadao Yamahana, who heads a faction threatening to leave the prime minister's Social Democratic party.

JAPAN

By Emiko Terazono

While Japanese press coverage of Tuesday's earthquake focused initially on the damage, the lack of food, water and other supplies for evacuees drew attacks as the days wore on. Most of the media's grievances centred on why the government took four hours before sending troops, while the lack of firefighters also prompted concern.

At the end of the week the broadsheet dailies carried features analysing the government's failings. The *Nikkei Shimbun*, the business daily, pointed out the lack of co-ordination between municipal and central government officials and also highlighted the inability of cabinet members to take the necessary measures. Since bureaucrats were the ones who gave politicians instructions, "the orders failed to filter through the system when politicians tried to tell the ministries what to do," it said.

The media also focused on red tape as the main cause for the delay in the Self Defence Force's arrival in Kobe. The *Asahi Shimbun* pointed out that the troops arrived more than eight hours after the earthquake.

It quoted an official from the force citing a law which only allows troops to be deployed after an official request from a municipal government, but questioned a system which prevented the SDF reacting to an emergency of this scale on its own.

Asahi Television, the daily's network affiliate, compared the speed at which government officials received the news of the earthquake to the situation in the US last year. "Prime Minister [Tomiichi] Murayama did not know until two hours later, while President [Bill] Clinton was informed within 30 minutes of the California earthquake," it said.

Tokyo Broadcasting System, showing Mr Murayama breakfasting with business leaders the day after the quake, lambasted him for his lack of urgency.

Protests by the tabloids were harsher.

"Mr Murayama, you have other things to do than visit Kobe," said the headline of the daily *Gendai* following the premier's trip to the ravaged city on Thursday.

"How many more bodies do we have to count?" the *Evening Fuji* asked.

The *Sports Hochi* carried an interview with the driver of a bus which had managed to escape falling from the collapsed Hanshin expressway. Most of the newspapers and networks carried photographs of the bus hanging from the expressway earlier on in the week. "The car in front of me fell and I would have, too, if the bus had gone one metre farther," the driver said.

Political parties, meanwhile, were forced to put their differences aside. The *Yomiuri Shimbun* reported that politicians had agreed to co-operate during the parliamentary session which opened last week. The daily said Mr Sadao Yamahana, head of the faction threatening to leave Mr Murayama's Social Democratic party, had put his plans on hold.

"Mr Murayama wants to use the earthquake to force Mr Yamahana to shelve his plans for good," it said.

Some weekly magazines were able to squeeze in the earthquake coverage at the last minute, while others delayed their publication dates to the weekend.

The widely read weekly *Bunshun* carried interviews with specialists: "There seems to be too many fires," said a seismologist, while another added it was clear that Japan's preparations for earthquakes in urban areas were "invalid".

The *Sunday Mainichi* carried pictures of the damage. "This is not Sarajevo or Chechnya. It is Kobe, Japan on January 17 1995," said the caption to a photograph of the city and its burning buildings.

The magazine also had interviews with Japanese architects and construction analysts who had claimed that Japan's expressways would not be destroyed by a strong earthquake, as had happened in California last year.

An official at the construction ministry's research centre denied its researchers had made such a claim, while a leading architect said the strength of the Californian earthquake was very different from that which hit Kobe. "Were the safety proclamations just fake consolations?" the magazine asked.

"Is Tokyo next?" wrote the weekly *Yomiuri*. "Just enlarge what happened in Kobe, and we can see what may happen to Tokyo," it added, predicting the likely damage of an earthquake of magnitude 7.9. According to one simulation the number of fatalities would total 150,000, while another produced estimates that more than 130,000 houses would be destroyed.

The magazine also raised the issue of moving the capital out of Tokyo and decentralising political and financial functions.

Pay rises 'soon to outpace rest of Europe'

By Robert Taylor, Employment Editor

Annual wage increases in the UK over the next 10 years will outpace those in every other leading European country and "dissipate" the benefits of recent improved productivity, says the annual comparative study of pay and productivity trends published by the independent body Consensus Forecasts.

The report expects acceleration in UK earnings growth from this year "to be modest in comparison with the sizable wage settlements recorded during the previous decade". The new rises will reflect "the lower inflationary expectations of wage bargainers and the government's attempts to restrain union power."

The report suggests that UK average earnings will rise by 4.5 per cent this year, and 5.1 per cent in 1996 and then increase on average by 5.0 per cent annually for the rest of the decade. There will then be a slight drop to an annual 4.8 per cent rate until 2007.

The survey expects unit labour costs that rose only 0.2 per cent last year to go up 2.2 per cent this year and an average of 3.2 per cent annually until 2000, with a drop to 3.0 per cent for the next six years.

It suggests that real output per employee, which was 3.8 per cent in 1993 and 3.5 per cent last year, will grow by 2.3 per cent in 1995 and average 1.8 per cent from 1997 to 2007.

By contrast, the survey believes that over the next decade the German economy will enjoy moderate wage inflation and steady productivity gains as it moves out of recession, although the eastern part of Germany is not included in the forecasts.

There is also optimism about Italy's wage and productivity trends with hourly earnings rises staying below an annual rate of 4 per cent, although real output per employee will decelerate from last year's 3.7 per cent to an average 1.6 per cent from 1997 to the end of the century.

The employed workforce in the US is expected to grow by 2.3 per cent this year while slowing to an average annual rate of 1.5 per cent after 1997. Employment costs are forecast to remain below 4 per cent for the rest of the century while nominal output per employee will grow by 3.6 per cent this year and an average of 4.2 per cent from 1997 to 2001. The predictions are based on estimates from 200 prominent financial and economic forecasters in more than 30 countries.

● Senior directors enjoyed the highest pay awards last year with some restraint being shown, for the first time, at chief executive level, says a report out today, our Employment Correspondent writes.

The report by Sedgwick Noble Lowndes, the pay and benefits consultants, said executive pay awards increased by an average of 5 per cent in 1994 – up from 4.8 per cent the previous year.

Mr Andy Christie, the company's remuneration consulting director, said: "Although pay awards are marginally up, there is no indication of a sudden shift in salary levels. There is still a lack of real confidence in the market and most companies are nervous about pushing out the boat on salaries."

Although directors received some of the highest pay awards in the past year, the report says these have not been typically enjoyed by chief executives. Since 1993 their average salary increases declined from 6.2 per cent to 4.8 per cent – below the average for all executives. The largest increases last year went to board directors.

Travails of a toff

John Kampfner examines the troubled odyssey of an aristocrat in Mr Major's 'classless' government

Mr William Waldegrave may have narrowly staved off an embarrassing government defeat over fisheries policy, but the agriculture minister in Mr John Major's government is unlikely to enjoy a long respite from the crises that have bedevilled his political career.

He had to battle hard in the House of Commons last week to prevent Conservative rebels from denouncing the government's approval of an EU deal giving Spanish and Portuguese fishermen access to waters off Britain.

The row rekindled Tory divisions over Europe, with many in the party - not just the diehard Eurosceptics who have made a habit of defying the prime minister - accusing Mr Waldegrave of not battling enough during negotiations.

The government scraped through. But for Mr Waldegrave, it came only days after another controversy.

On that occasion it was veal when it was disclosed that calves from one of the farms he owned were being sold to the Netherlands and France. The transport of live animals to other countries has become one of the most highly charged issues in Britain, with thousands of people protesting at ports against the shipments. Mr Waldegrave argued that his farm was run by a company and that he had to leave the issues to its managers.

Mr Waldegrave sits uncomfortably in a government led by a man who came from humble origins, has never attended a university and has proclaimed his belief in a "classless society" since he became a candidate for the Conservative leadership in 1990.

Mr Waldegrave was born in 1946 of the bluest aristocratic blood. He is the younger son of the 12th Earl Waldegrave, a title created by George II. One of his sisters was a lady-in-waiting to the Queen for many years. From Eton, where he won the top prize for classics, he won scholarships first to Oxford and then to Harvard. At Oxford he became president of the Union, the famous debating society, and of the university Conservative Association.

A glittering career beckoned. From the cabinet's policy unit and an advisory post to the then Conservative prime minister, Mr Edward Heath, he won the seat of Bristol West in 1979. He moved steadily through junior ministerial posts until he came to run his own department, health, in 1990.

With Mr John Major in charge, Mr Waldegrave's progress should have accelerated. Under Mrs Margaret Thatcher he had been susceptible to the charge of being a "wet", a term of abuse used by her supporters to describe moderate Conservatives. But his presentation of the government's sweeping health reforms was seen as weak.

After the 1992 election, Mr Major appointed him Chancellor of the Duchy of Lancaster, a grand and ancient title for a minister with a cluster of rather nebulous tasks including the prime minister's drive for more open government.

With public disillusionment growing over the moral standards of politicians, Mr Waldegrave admitted that "in exceptional circumstances" it was acceptable to tell "untruths" to parliament. For the man in charge of open government it was viewed as an astonishing remark that would hasten the end of his ministerial career.

There was an unfortunate irony in Mr Waldegrave's fate. Erudite and honest to a fault, he made the "mistake" of stating what to many was obvious. Mr Major, who was being forced to sacrifice several ministers in a series of controversies, stuck with him, moving him to agriculture in 1993.

William Waldegrave: brilliant graduate of Oxford and Harvard

Few, however, would bet that he can make a comeback to the top ranks of the cabinet. The eagerly anticipated report of the Scott inquiry, which has been investigating British sales of armaments to Iraq during the late 1980s, will prove his next hurdle.

Mr Waldegrave is at the centre of claims that, during his term as a junior Foreign Office minister, he allowed export controls to be relaxed and failed to inform parliament fully enough about it.

While the uncompromising Lord Justice Scott is expected to blame more than one minister for the saga, there is more than a sneaking feeling at Westminster that this may be one crisis too far for Mr Waldegrave.

Farmers are pinning hopes of a respite from animal welfare protests on efforts today by Mr William Waldegrave, agriculture minister, to strengthen European Union rules on veal production and transport of live animals, Alison Maitland writes in London. Mr Waldegrave, backed by Mr Ivan Yates, minister for agriculture in the Irish Republic, will try to persuade other agriculture ministers in Brussels that the "harsh and much disliked" system of veal crate production should be phased out throughout the EU. The system was banned in Britain in 1990.

He will also seek to revive attempts to agree a limit on the journey-time of animals being transported for slaughter, an issue which ran into stalemate at the end of last year. He has told Mr Franz Fischler, EU agriculture commissioner, that the UK was determined to prevent unlawful disruption of trade. "But we remain under intense public pressure to take steps at the EU level," he added. "I see no sign that this pressure will fall away."

Britain today tightens its own animal transport law, making it a criminal offence for hauliers to submit false journey plans.

Managers' overseas allowances 'being cut'

By Robert Taylor

Multinational companies are cutting allowances for executives on overseas assignments, says a survey published today by the Confederation of British Industry, Britain's largest employers' lobby group.

It indicates that a growing number of companies is reducing the number of internationally-mobile staff by relying on a qualified local workforce and bringing the pay packages available to expatriates into line with those on offer to local employees.

Slightly more than half of the 194 companies covered in the survey were British while almost 20 per cent were based in mainland Europe and almost 20 per cent had their headquarters in the US.

Mrs Jill Mervin, senior consultant at William M. Mercer, the international human resources company that carried out the study, said yesterday that some employers are targeting allowances as a way of reducing their overall costs. But others were going farther and offering only the local market rate for the job to their expatriate staff.

The survey found that employers are cutting the range of items offered to expatriate workers, including the size of cost-of-living allowances, the amount of housing assistance provided, the payment or subsidising of school fees and scope for foreign travel.

More companies are no longer prepared to provide lucrative packages for their staff on overseas assignments. "Expatriation for acquiring personal wealth is no longer viable", a financial services company told the survey. It found firms determined to establish more control over the costs of expatriate staff.

The previous survey, carried out in 1992, found multinationals concerned that the treatment of pensions and social security in countries other than their own was "a major constraint". But the latest study indicates that many employers are more confident about dealing with such problems by ensuring that staff retain the value of their home country entitlements.

However, the latest survey found employers worried that the emergence of the dual career couple was becoming a "barrier to mobility".

Prime minister may ask private sector to help reduce shortage of nursery classes

Education for children under five to expand

By David Owen and John Authers

A national curriculum, a new inspection regime and new qualifications for teachers are likely to be included in government proposals for extending the scope of nursery education. At the moment parents are not required to send children younger than five to school.

Ministers involved in the development of plans to provide nursery places for all four-year-olds whose parents want them are keen to incorporate these innovations in spite of the extra cost. The government is not expected to insist that nursery teachers obtain the new qualifications immediately. Instead they will be phased in over three to five years. Initial proposals are expected to reach Mrs Gillian Shephard, education secretary, in six to eight weeks and to go to the cabinet by the summer. Preparations for the expansion of nursery schooling are in line with a pledge made by Mr John Major at last year's Conservative party conference in Bournemouth. He described the move as "a long-term proposal", but said the new provision would "begin to come on stream during this parliament".

He said additional publicly funded provision had to be of high quality and promote diversity and parental choice. Provision is currently at the discretion of local education authorities, with public-sector nurseries providing places for 56 per cent of four-year-olds in Britain at a cost of £1.2bn. Some provide no places.

Ministers are keen to maximise the role of the private sector in the government's new plans. Mr Major said it had to be carefully targeted "in a way that expands, and does not crowd out, the private and voluntary provision we have at present". Many observers took this to be a strong hint that Mr Major wanted to introduce a form of nursery education "voucher". This would be funded by the state but could be used by parents to buy places at either private nurseries or local authority institutions.

Rightwing educationalists such as the Centre for Policy Studies strongly back this proposal. Mrs Shephard has so far expressed reservations, however.

Unionists reject assurances on shared power in Ireland

By Kevin Brown, Political Correspondent

The government was under pressure to water down proposals for all-Ireland organisations with executive powers last night after Ulster Unionist MPs rejected assurances from the government of the Irish Republic that joint authority over Northern Ireland has been ruled out.

Mr David Trimble, a senior Unionist MP, said the framework document being drawn up by London and Dublin for inter-party talks in Northern Ireland would establish a mechanism to "compel" Ulster councils "to do the Irish government's will".

Echoing remarks by Mr James Molyneaux, leader of the nine UUP MPs, Mr Trimble said civil servants in the Northern Ireland Office had "hijacked" the negotiation of the framework document, expected to be published next month.

Unionist concern about the tone of the framework document emerged publicly last week, and reached a crescendo in weekend remarks by Mr Molyneaux, who previously supported the process following private assurances from by Mr John Major, the British prime minister.

Mr Molyneaux said the document would include provisions for cross-border boards with joint authority and two organisations allowing Dublin to interfere in Northern Ireland. He told BBC Radio at the weekend: "One will supervise the activities of an assembly and any executive based on an assembly, and another will supervise the activities of the 26 district councils and the education boards and health boards.

Mr Molyneaux's claims were dismissed by Mr Dick Spring, the Irish deputy prime minister. He said Mr Molyneaux's "unhelpful" remarks did not reflect the contents of the framework document, which was 90 per cent complete.

Cardinal Cahal Daly, the Primate (senior bishop) of All Ireland yesterday delivered a sermon at Canterbury Cathedral calling on the British to forgive "the wrongs and hurts inflicted by Irish people". Canterbury is the principal see of the Protestant Church of England, and it was the first time an Irish Catholic bishop had preached there since the Reformation in the 16th century. Dr Daly said: "I wish to ask forgiveness from the people of this land for the wrongs and hurts inflicted by Irish people upon the people of this country on many occasions during that shared history, and particularly in the past 25 years." He warned of the "stark possibility" of a return to violence in Northern Ireland.

Editorial comment, Page 13

UK NEWS DIGEST

Labour leader fights back on nationalisation

Mr Tony Blair, leader of the Labour party, said yesterday that it faced a future permanently in opposition if leftwingers succeed in blocking his plan to abandon Clause 4 of the party constitution, which speaks of a commitment to large-scale nationalisation. The party has lost three general elections since losing power to Mrs Margaret Thatcher in 1979.

Facing down a growing chorus of opposition from leftwing and union critics, Mr Blair said Labour could not win the next election, due by mid 1997, unless voters were convinced that the party had changed. He said: "It is a choice of destiny for this party. We either become a vibrant left-of-centre party, looking forward and addressing the real needs of this country, or we will remain where we have been for 15 years – essentially a pressure group exerting influence on a Conservative government but not governing ourselves."

Mr Blair's allies remain convinced that he will win the battle to rewrite Clause 4, which has become a symbol of the leadership's ability to demonstrate that the party has dumped 1970s ideology. Opposition is growing, however, among constituency activists and in the trade unions, which will cast 70 per cent of the votes at a special constitutional conference on Clause 4 in London on April 29. *Kevin Brown at Westminster*

London mail strike ends

London postal workers are to return to work today following a decision to hold talks with Royal Mail managers about new working practices. All post boxes in London were sealed on Friday after 15,000 delivery workers walked out. That followed a dispute at the north-west London sorting office in Camden about the introduction of a computer system which postal workers believe will increase their workload.

Work to reopen sealed pillar boxes will begin tomorrow and services should be back to normal by the end of the week. The strike went ahead even though a court injunction against illegal sympathy action was obtained by the Post Office. A union spokesman said: "Everyone's happy, but we have got to make sure that talks over the next fortnight are meaningful." It is likely that postal services will be disrupted until the middle of this week because of a backlog of several million items.

The Camden dispute is over the introduction of a system known as computer-aided delivery revision, which Royal Mail uses to calculate the number of staff needed to deliver mail most efficiently. Householders and businesses in London will receive at least one delivery tomorrow. *William Lewis, London*

Warning on acid rain

The UK will fail to meet its long-term commitments to reduce sulphur dioxide emissions unless it adopts new policy measures, says the economics forecasting company Cambridge Econometrics. Emissions of sulphur dioxide, which are thought to cause acid rain, have been falling sharply in industrialised countries, partly because of the switch from coal and oil to cleaner gas and nuclear power generation.

The report says the UK succeeded in cutting sulphur emissions by 30 per cent between 1980 and 1993 and will just meet its target of a 50 per cent cut by the year 2000. But it will fall well short of further reductions required by 2005. Under the United Nations Economic Commission for Europe's second sulphur protocol the UK is required to reduce 1980 sulphur emissions by 50 per cent by 2000, 70 per cent by 2005 and 80 per cent by 2010. The report forecasts a cut of only 52 per cent by 2005. It says: "Further policy measures will be needed to comply with later targets."

The second agreement is a Brussels directive of 1990 committing the UK to reduce its 1980 levels of sulphur emissions from "large combustion plants" by 40 per cent by 1998 and 60 per cent by 2003. The study says most large combustion plants are in the power generation sector, but they include many oil refineries and some energy-intensive industrial plants. It expects UK emissions from such plants to have fallen by 47 per cent by 1998 – well above target – but to miss the 2003 target by eight percentage points.
Alison Maitland, Resources Staff

Executives do office chores

More executives are carrying out typing and other work pervi-ously done by secretaries, says the annual secretarial salary survey from Gordon Yates, a secretarial recruitment company. It suggests that the trend is being driven by greater use of personal computers and by improving typing skills among managers.

The survey of 448 UK companies which together employ more than 10,000 secretaries shows that 36 per cent of managers carried out considerable secretarial work while 51 per cent said they did some work which would once have been done by a secretary. Only 13 per cent of managers in the study did no secretarial work. *Richard Donkin, Labour Staff*

■ **Shopping record:** The record number of shoppers attracted last year to the MetroCentre, Europe's largest indoor shopping mall, included 130,000 Norwegians and 20 planeloads of Icelanders. Mr John Bryson, manager of the centre in Gateshead, north-east England, said it was the eighth successive year in which numbers had risen, reaching a record of more than 26m last year. "The statistics confirm the centre is now firmly established as Europe's Number One shopping and leisure complex," he added.

■ **Pudding flies:** Black pudding, a delicacy from northern England and Scotland similar to the French *boudin*, is to be served on Concorde flights between Britain and the US for the first time this week. The high-flying puddings are being supplied by Grants of Dornoch, a Scottish family butcher. The firm had just gone into receivership when its secret recipe was tasted by a British Airways chef on holiday in the Highlands. He immediately ordered more than 300kg of puddings.

■ **Climber dies:** Two climbers trapped in an avalanche in the western Highlands of Scotland were found and carried down a mountain, but one of them was pronounced dead when the rescue team reached an ambulance waiting at the nearest road. Blizzard conditions meant that a Royal Air Force rescue helicopter sent to the scene had to be grounded, and the casualties had to be carried over steep rocky terrain for several hours.

Weather, Page 14

Business worries cloud prospects for nuclear reprocessing complex

Haig Simonian questions the long-term future of one of the country's most expensive investments

There are mixed feelings at Sellafield, the windswept home of Britain's nuclear reprocessing industry on the north-west coast of England. Some time this week the complex task of chemical separation is expected to start at the giant Thermal Oxide Reprocessing Plant (Thorp).

But what should be the crowning achievement of a £2.8bn ($4.4bn) investment has been tempered by increasingly bitter feelings over the industry Thorp was built to spearhead. The economics of the business – already overshadowed by sharply falling uranium prices – were shaken last month after a number of German utilities cancelled their orders. On top of that, reprocessing, which produces uranium, plutonium and waste-products from spent nuclear fuels, has been questioned on environmental grounds.

Chemical separation represents the final stage in a long build-up at Thorp. Invisible to all but electronic eyes behind metre-thick concrete walls, spent uranium from fuel rods will be dissolved in a bath of hot nitric acid.

Complex chemical processes will split the solution into uranium, plutonium and highly radioactive waste products. The uranium will be enriched and recycled for reactors. Some of the plutonium may be used in mixed oxide fuels, which have not previously been made at Sellafield. Meanwhile, the wastes will be dried into granules and turned into a form of liquid glass before being poured to cool in thick steel containers for long-term storage.

Chemical separation marks the final, and most sensitive, step in a slow process that began with the first consignments of spent nuclear fuel into Thorp's huge storage tanks in the late 1980s.

That was followed by the go-ahead for further operations in March 1994. After lengthy commissioning, the move to shearing fuel rods – the last stage before separation – began in September. But Thorp will not have revealed its full potential until separation starts. Earlier this month the first batch of spent fuel rods, each 5 metres long, from foreign power stations took their place alongside waiting British rods in the plant's intermediate storage tanks pending shearing and separation.

According to the master plan behind Thorp, which dates back to the 1970s, reprocessing offered the answer to an expected shortage of fossil fuels. Uranium, which was forecast to rocket in price as demand rose, would be reprocessed, allowing re-use. Meanwhile, the plutonium by-product was to have fuelled a new generation of fast-breeder reactors, expected to spearhead the development of the nuclear power around the world.

Reality has turned out differently, however. Uranium is cheaper than ever thanks to new finds. Demand has not grown as expected because many countries have cancelled or scaled back nuclear projects on environmental and cost grounds. Fossil fuels, meanwhile, such as oil and gas, have become unexpectedly cheap in real terms. And the price of building nuclear power stations has spiralled because of new safety requirements.

Hence the gradual shift in emphasis by British Nuclear Fuels, Thorp's owner, from reprocessing to storage as the plant's raison d'etre. By splitting used fuel rods and storing the waste products securely on site, Thorp would help to limit pollution and radioactive risks, the company argued.

In recent weeks, even that rationale has been shaken. In late December, a number of German utilities which had reprocessing contracts with BNF pulled out, at great expense to themselves. The *volte face* stemmed from a change in German law to allow the storage of spent fuel at a special underground repository under construction at Gorleben.

Thorp is down, but by no means out, says BNF. The plant's economics were based on secure orders for its first 10 years of activity; the cancelled German contracts are all from the second phase, during which it still has orders for 2,550 tonnes of its 7,000 tonne capacity.

The spent fuel rods from Japan waiting for reprocessing are a testament to that foreign business. But last month's cancellations have raised doubts about Thorp's usefulness beyond its first 10 years and what should be done with if further orders dry up.

For all its technological wizardry, Thorp may yet turn out to be a relic of a bygone age.

MANAGEMENT

The car maker, blighted by a reputation for poor management, has turned to Ford for guidance. **Michiyo Nakamoto** reports

Mazda tries to put its house in order

Yoshihiro Wada, *president of* Mazda, has a metaphor he likes to use when describing his strategy for the Japanese car manufacturer. Car companies need to have a strong main house, or core product range, before they can have extra guest houses such as specialty cars, he says. Most importantly, the guest houses should never take precedence over the main house, he warns.

It is advice that Mazda could have used some time ago to avoid a costly strategy of expansion, which has left its corporate "property" overrun by guest houses and its main house in tatters. In the year to March 1994 Mazda made a loss before taxes and extraordinary items of Y44bn (£282m) and passed its dividend. Unit sales of its vehicles fell 20 per cent. The company expects to make a loss of Y33bn in the year to March 95 and is not expected to return to profitability until 1996 at the earliest.

As the Japanese car market shows signs of picking up this year, the test Mazda now faces under Wada, who came to the helm in 1991, is whether it can pull down some of the guest houses and rebuild the main structure quickly enough before the entire estate collapses.

The past several years have reinforced Mazda's somewhat unflattering reputation as a company with excellent production technology that has faltered under poor management. "It is a company that is really good at making cars but bad at judging what kind of cars to make and then deciding what to do with those cars," comments one car industry analyst.

Japan's fourth largest car maker by sales this year, Mazda is highly regarded for the outstanding quality of its vehicles, both in terms of technology and design. There has been no lack of praise or international awards for Mazda.

But Mazda's management has allowed this corporate obsession with product excellence to dictate a marketing strategy which was not only out of touch with the market but was far beyond the company's resources. In the late 1980s, as Japan's asset-based economic boom created an environment of conspicuous consumption, Mazda built up an ambitious expansion strategy aimed at securing its position as one of the top three car makers in the domestic market. In order to realise its goal, Mazda vastly increased its product line-up, set up a state-of-the art production facility in Hofu, western Japan, and began churning out a wide range of beautiful cars with celebrated handling and superb engine power.

To market those cars, it increased its sales channels from three to five, with each of the channels selling different cars. But this grand strategy was flawed in a number of respects. To begin with, the company misread the market. The elegant, high-performance cars which Mazda's engineers delighted in designing, did not appeal to a wide enough audience to justify the scale on which the company was producing them.

To a large extent it is brand loyalty, rather than looks, which sells a car in Japan, points out Koji Endo, industry analyst at Lehman Brothers. Once someone has bought a Toyota, he will tend to continue buying Toyotas. Mazda hoped its nice-looking models would entice consumers to switch loyalties, but discovered the hard way that progressive designs appeal only to a small number of people.

Mazda's marketing strategy, meanwhile, which was designed to improve its corporate image, ended up confusing consumers about what that image was. Based in Hiroshima, in south-west Japan, the company has been plagued by its local reputation as a provincial company, unsophisticated and thus somehow third rate. Its plan to produce elegantly designed and excellently engineered cars could have helped the company to shed that poor image once and for all. If Mazda could be associated with sleek cars with exotic names like Eunos and Cronos, the theory went, consumers might begin to think of it differently.

Sadly for Mazda, the plan backfired. As it was building up its strategy focused on premium quality cars, the company let two of its most popular, mass-market vehicles, the Familia and Capella – languish. It even went so far as to drop the Capella name. To borrow Wada's metaphor, the company built too many guest houses at the expense of the main house. The result was that consumers now found few cars that they could identify with certainty as a Mazda. "The company has 25 car models but very few people know what they are," says Endo.

Furthermore, the company's renewed emphasis on excellence made the vehicles much too costly. Mazda already had a record for pioneering technology, but "if you let engineers go off and make a car, they will come back with a very nice car but no cost control," says one analyst.

To be fair to Mazda, observers agree that most of the errors Mazda made – such as the high cost of its cars and the excessively wide variety of models – were shared with other Japanese car makers during the bubble years. Its spiralling costs and the cost of its growth strategy were cruelly exposed when the Japanese market collapsed.

The consensus is, however, as Endo points out, that Mazda "did not act within the limits of its size. It failed because it tried to be Toyota".

As the Japanese market weakened, Mazda was also particularly slow to adopt measures to reverse its ambitious growth strategy. Critics blame slow management response further for Mazda's weak overseas strategy, which lags that of other Japanese car makers. (By the spring its four leading rivals, Toyota, Nissan, Honda and Mitsubishi, will all have manufacturing plants in Europe.) For example, it has so far failed to secure a manufacturing base in Europe, although that is one of its most important markets and one from which it derives 35 per cent of its export revenues.

It was only after three years in recession that the company belatedly took steps to undo the damage and adapt its operations to market conditions. A senior executive, believed to have been responsible for the strategy of expansion, left last summer. The company has altered its product line-up. "During the bubble, guest houses increased," concedes Wada. "We have no intention of tearing down all our guest houses, but we are not going to direct all of our resources there," he says. Instead, Mazda is working to rebuild its identity with those vehicles it is best known for. Last year, it launched a revamped Familia and brought back the Capella, both at very competitive prices. And although it will not say so publicly, Mazda has quietly abandoned the five dealership strategy.

Most importantly, the company has swallowed its pride and turned to Ford, which owns 24.5 per cent of its equity, for managerial guidance. Late last year the two companies announced a strengthened relationship which would look at possibilities for broad-ranging future co-operation that would extend to product development. Since then, Ford has increased representation on the Mazda board from four to seven.

"There is no short-term reason for the strengthened relationship, such as Mazda needing Ford in its dark hour," Wada says somewhat defensively. "We are looking to the 21st century," he emphasises. Yet analysts say that Mazda, which once helped the US company by teaching it a lot about manufacturing small vehicles, today clearly needs Ford more than the US company needs Mazda.

Mazda could benefit tremendously by learning from Ford's recent cost-cutting experience and from its successful marketing strategy, which has won the company five slots among the 10 best-selling cars in the US in 1993, notes Peter Usher, industry analyst at Kleinwort Benson Securities.

Henry Wallace, executive vice-president who came to Mazda from Ford, points out that the increased Ford presence has already "heightened the awareness [within Mazda] of the importance of cash".

In the past, "I don't think cash was a particularly important factor in looking at the business because the Japanese auto industry hasn't been exposed to the same downturns that the US auto industry has," he says. Wallace also points out that Mazda needs to strengthen its marketing both at home and overseas.

Overseas, Ford is also helping Mazda by supplying the company with vehicles from its European facilities, which Mazda will sell under its own badge. The two are exploring joint truck manufacturing in Thailand.

Mazda could profit from Ford's worldwide operations to become a much more cost-efficient global manufacturer, Wallace notes. "Japan has become a relatively high-cost source and therefore Ford is a more global company than Mazda is today, and I hope we can find some leverage in terms of products and cost advantage," Wallace says. Mazda needs to learn "to become a global company in a global business".

Even with strengthened support from Ford, and that of Sumitomo, its main bank and large shareholder, it will take some years to put the house of Mazda back in order. But until at least the pillars are standing upright Wada, whose departure has been loudly rumoured this year, is likely to observe Japanese form by staying at the helm of the company. The more critical question being asked in Japan, however, is how long Ford is prepared to stay with its Japanese partner.

The US company has indicated it sees the relationship as long-term. But Ford has been less than clear about what strategic importance Mazda holds for it.

Wallace politely notes that the Japanese company's technical competence "continues to be a real strength" from which Ford could benefit. But some analysts openly question the practical benefits of the relationship to Ford. "Mazda does not have technology that Ford really needs," notes Endo. "For Ford it is a high-risk, low-return prospect," he says.

In the high yen environment, neither would it make much sense for Ford to use Mazda's underused facilities in Japan as a manufacturing base for the Japanese market.

Conversely, given the widely recognised importance of Ford's input in turning Mazda around, "Mazda has to do everything and do it fast to return to profitability," Endo says. Unless it does so, the risk for Mazda is that the market, and even Ford, may not wait for it.

PIONEERS AND PROPHETS

Frank and Lilian Gilbreth

Frank and Lilian Gilbreth (respectively 1868-1924 and 1878-1972) were a formidable duo in their time. But the American building contractor turned consultant and his industrial psychologist wife have been largely forgotten by present-day practitioners and academics.

Their contribution, though, deserves to be recognised for they were among the first to think seriously about efficiency and the organisation and nature of work. Their "master promotion chart", moreover, finds echoes aplenty in modern motivational theory being based on the idea that "no worker who is constitutionally able to become a permanent member of an organisation will wish to change if he or she is receiving adequate pay and has ample opportunity for advancement".

Like Frederick Taylor, creator of a spoon-shaped tennis racket, (this page October 3 1994)) Frank Gilbreth patented many inventions during his successful business life, including a new design for scaffolding and new methods of waterproofing cellars. When he turned to consultancy in middle age – converted to so-called scientific management – he was keen to develop his fledgling theories on what he termed "motion study".

In essence, he set out to discover the best means of performing each part of a job so that it would be more effectively carried out – using cameras to assist his research. "Each motion should be made so as to be most economically combined with the next motion, like the billiard player who plays for position," he wrote.

Professor Robert Duncan, chairman of the Department of Organisational Behaviour at the Kellogg Graduate School, Illinois, says that in a very real sense the Gilbreths were the first to think about modern-day "re-engineering".

Frank Gilbreth's experience in the building trade enabled him to use his methods in bricklaying and – during the first world war – for training soldiers and rehabilitating the disabled. He identified and classified 17 basic elements of human motions, labelling them "therbligs" – Gilbreth (almost) spelt backwards.

His wife Lilian, who at first had been relegated to a minor role, kept the family flame burning even to the extent of travelling to England to read a paper her husband had planned to give, two days after his death.

Explaining her actions she commented: "I am only adhering to my husband's principles – the elimination of waste motion." While bringing up 12 children she toured the world promoting his theories.

The Gilbreths are not alone among management pioneers in having applied their ideas in their own home. The household was divided into work surfaces, centres and motions with charts and a follow-up system. One child was assigned to buy all birthday presents for the family to save time. Later, two of the children wrote a popular book *Cheaper by the Dozen*, a reference both to the size of the family and the way it was organised. It was turned into a film starring Clifton Webb.

Tim Dickson

Journey into the Japanese mind

ADRIAN FURNHAM

As I found on a recent visit to Japan, all glib, single-factor explanations for the Japanese economic miracle may be necessary but none is sufficient.

Different speculators, both Japanese and foreign, could list a variety of chance and planned causes but all happily admit that the more they understand about the rise of Japan, and what is referred to as the next "chop-stick century", the more they reject simple explanations.

But any visitor can't help but be fascinated by this homogenous and disciplined society.

I particularly liked the opening of the departmental stores. The whole store staff, including the very senior managers, line up and bow deeply and reverently as the first shoppers of the day enter the emporium. None of having to run those "customer first" courses for surly service staff to remind them that the customer pays their salary. Here the customer is not a nuisance who prevents one doing a job but the central, deified and hallowed cause for that job's very existence.

A Japanese psychiatrist friend of mine told me a story about his completely bilingual and American-educated wife that really surprised me.

Last year, to accompany her husband on a conference, she asked for two weeks' leave. Despite the fact that she was a fairly senior professional in her own organisation, her boss in all seriousness asked her whether she wanted to quit her job. He apparently took her request as a "by-the-way-doctor" sort of coded statement because it was so unusual and unreasonable. Not only was 14 days out the question but it was for a continuous period rather than, say, a series of long weekends which is more acceptable. Something of a contrast to the British (or indeed German) model of two to three weeks over the summer and then maybe another week or two later in the year.

Working hard is not the same as working smart and time-serving is not a guarantee of productivity, but despite reaction in some quarters the Japanese do work long hours. The Shinto work ethic, unlike its Protestant equivalent here, is certainly alive and well.

Japanese workaholism has interesting consequences, one of which is the "fallen leaves syndrome". This refers to the relatively high incidence of divorce in the country when a couple are in their 60s, different from the British experience.

The "leaves" metaphor has two meanings: divorce happens to people who are in the autumn of their lives; but also damp falling leaves stick to things. Work-obsessed husbands with few outside interests retire and discover that without the set activities and time structure imposed by work they are at a loose end. And having nothing to do they stick on to the wife and mess up her routine.

By her 60s the wife in the "empty nest" has often grown more autonomous and developed interests of her own. She then has to cope with twice the husband and half the money. As she becomes more independent, he – without the pattern and discipline of work – becomes more dependent. And this leads to divorce. Of course there are hazards in anything one does, but there are greater hazards in doing nothing.

Despite their economic might the Japanese self-concept is surprisingly low. It could be their famed inscrutability or their favouring humility over hubris – notable last week in their reaction to the terrible earthquake. But talk to a Japanese manager about his country's or organisation's success and you never get complacent self-satisfaction.

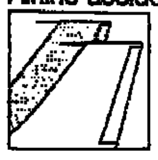
Many Japanese still see themselves as relatively poor and the worship of the west is everywhere, especially among the young. They might improve upon nearly everything the west invents but the Japanese seem acutely aware of their creativity deficits. My psychiatrist friend says this is due to the still live memory of defeat and occupation in the last war.

The masters of the world were, and still are (just) the Americans, and the Japanese know it. It may take a generation for a nation to change the way it sees itself in terms of economic strength and world influence.

Britain, it was said, lost an empire and never found a role: and it has taken 40 years for it to be able to accept itself as a middle-ranking European power, perhaps good at some things but less impressive at others. It might take the Japanese another decade to awaken fully to the political consequences of their economic might. And then it may well be that our young people venerate Japanese culture and artefacts as much as they apparently value ours.

BUSINESS TRAVEL

Airline accidents



Some 264 people were killed in commercial airline accidents in the US last year, the highest number recorded since 1988. The National Transportation Safety Board said last year's total represented a huge increase from just 25 deaths in 1993. In 1988, 306 people were killed. The board added that the number of deaths on general aviation aircraft – corporate and private ones – declined to a new low of 706 against 737 a year earlier.

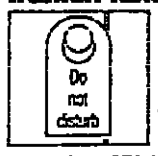
Mid-East co-operation

Excess capacity and heightened competition among airlines in the Middle East were likely to result in greater co-operation and mergers, Kuwait Airways chief financial officer Bader Malallah told an aviation finance conference last week, *Reuter reports*. Malallah said he expected to see four or five regional airlines in the area eventually, though it was likely to take around a decade for new airlines to be established. At present, Middle East airlines were adding more capacity to their fleets than traffic required. Another speaker said that aircraft utilisation in the region was low, at seven or eight hours a day, and aircraft were carrying very small loads.

Athens scooter

A motor scooter taxi service to ferry passengers through Athens' choked streets, bypassing traffic jams and other obstacles that hold up conventional taxi cabs, has been launched. The Model Services Company has 22 Vespa motor scooters with trained riders who will pick passengers up from anywhere in Athens at an hour's notice. Company manager Nektarios Nikolaides says the hardship of those confronted by Athens' daily traffic chaos could be much reduced by using motorcycles. He said his new service had 34 customers so far.

Iranian luxury hotel



Iran has signed a deal with two Swedish firms to build Tehran's first five-star hotel since the 1979 Islamic revolution, *Reuter reports*. The luxury hotel will be built in the scenic foothills northwest of Tehran by Skanska International Building and Scaan Consultants at a cost of $73m at the official exchange rate, Iran News said. The Swedish companies will provide $35m, to be repaid by Iran over seven years, with the private sector providing additional capital. Iran has not been able to expand its hotel capacity during the past two decades due to political problems.

South African tax

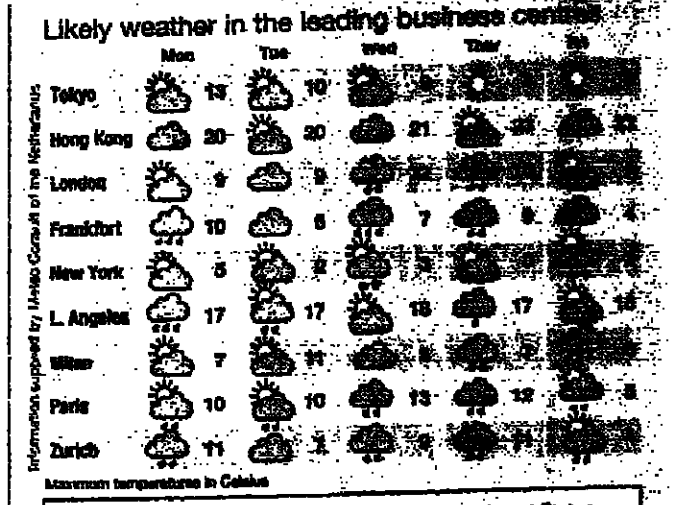
Tax for passengers at South African airports will rise by 6 per cent from April 1. The charge will rise from R44.80 to R47.40 ($12.80 to $13.54) on international flights, and from R13.44 to R14.20 ($3.84 to $4.05) for internal ones.

● Scandinavian Airlines System (SAS) announced a two-day lockout of pilots on its SAS Commuter services on January 26-27. The move followed a pay strike threat for the same two-day period by the Danish and Norwegian pilot unions involving SAS Commuter Fokker-50 propeller aircraft operating some 10 per cent of SAS services.

Pakistani gift

Pakistan plans a 21st-century gift to the overcrowded industrial port city of Karachi, where acute transport problems have in the past sparked deadly riots and anti-government protests, *reports Reuter*. Islamabad, with the help of French international transport group Interinfra, is planning a $382m light rail transit system capable of carrying more than 50,000 people per hour. The project calls for a 12.5km-line with 15 stations and a fleet of 22 electric trains of two carriages each. At present the city – population 12m – relies on a mixture of taxis, rickshaws, public and private buses, minibuses, railways, cars, motorcycles and bicycles.

Likely weather in the leading business centres



Tales of BA: **Paul Betts** (left) on the revamp of Concorde's food service; and **David Marsh** (right) stranded and fuming at Heathrow

Supersonic tastes change

The happy few who commute regularly on Concorde can still enjoy "odourless kipper" for breakfast on the 3¼-hour morning flight from London to New York. The fish is popular because it does not stink out the supersonic aircraft's long and narrow cabin.

But Concorde passengers are about to discover big changes in the eating experience they have come to expect from a return flight costing a mere £5,000. For 12 months, British Airways has conducted research on the profile and psychology of Concorde passengers and their eating habits. On Thursday, a new food service, designed to provide what BA likes to call "convenience with class", is launched.

The revamp is part of a continuing attempt to improve Concorde service. After 19 years of commercial service, Concorde passengers and their demands have changed.

BA's research shows that 70 per cent are regular business travellers who use Concorde as a time machine. They want to be able to work, and they want fast, efficient service. About 25 per cent fly to New York and back on the same day and their only chance to eat is on the aircraft.

Although most Concorde passengers are 35- to 55-year-olds (predominantly men) using the aircraft for business travel, some people save up for a trip of a lifetime and expect an experience of a lifetime. The number over 65 and under 35 has been rising steadily, according to Phil Ingoe, BA's Concorde marketing manager.

Food is all the more important because there are no in-flight videos on Concorde, and eating is the main distraction. However, feeding up to 100 passengers in Concorde's slim cabin is a nightmare.

"It's very different from any other aircraft. It's technologically very advanced but space is constrained. There is only one aisle and not many places to store things," says Pam Sloan, BA's head of inflight product development.

"It's a challenge. We have to deliver the equivalent quality of first class on a long-haul service in what is basically a short-haul aircraft, flying long-distance routes in only 3½ hours," adds Jenny Sharp, the airline's catering manager. What makes it even more difficult for the crew is that there are 100 passengers on Concorde expecting top service, compared with 18 in first class on a Boeing 747.

"Passengers also have a variety of requirements. Some want to eat a full meal on board; others want a quick snack," says Colin Syncock, who has been responsible for creating the dishes for Concorde's new food service. He says passengers generally expect to be served exactly what they want.

BA's food managers say the research shows that passengers no longer want the extravagance of the 1980s. Now they want quality, simplicity, classic style and no fuss.

Concorde's food service has been tailored to the time of day and type of flight. On the morning flight to New York, which leaves London at 10.30am and arrives at JFK at 9.30am local time, BA is introducing a brunch. For the first time, a large salad is offered as a main course, in response to the growing taste for healthy eating. The pudding has come off the brunch menu and been replaced by fruit and cheese.

The evening New York service is also changing, with a mixture of light and more traditional dishes, ranging from fruits to crumble and a special rice pudding. Vegetarian dishes are being included as part of the main meal selection.

BA also plans to introduce a greater variety of sandwiches on Concorde. And with more and more rich kids travelling, especially on flights to Barbados in the winter, it is introducing a special tuck box stuffed with chocolate bars and sweets. The idea is that if you attract them now, they will remain regular Concorde travellers when they grow up.

Not this person's favourite

All airlines must be prepared to react speedily to unforeseen circumstances. Earlier this month, British Airways proved inept at living up to this ideal when the 7.25am flight to Hamburg from London's Heathrow airport was cancelled at short notice.

The chronology of BA's bungled explanations is as follows:

6.45am: Queueing at check-in counter, I spot a photocopied note on the desk informing passengers of unspecified "disruption to our Customers [sic] travel plans" and "inconvenience" due to "unforeseen staff shortages in Terminal 1". The check-in clerk tells me laconically that this means my flight has been cancelled. The next Lufthansa flight departs after 10am – too late to deliver me to the 11am German government funeral I had been due to attend in a Hamburg church.

The clerk attempts to contact a "supervisor" by phone, but the number is engaged. A loudspeaker announcement advises passengers for Hamburg to pass through international departures and seek further information in the executive lounge. Asked to interpret this message, the clerk responds: "I never listen to announcements."

6.55: A woman on BA's service desk tells me the flight is cancelled because baggage handlers refused last night to work overtime. Advises me to go to executive lounge to see "someone more senior".

7.05: Another BA woman in executive lounge asks me to sit down and help myself to coffee; rings supervisor for more information on reasons for cancellation.

7.20: BA woman tells me supervisors busy; someone may speak to me on telephone.

7.45: Customer service shift manager arrives in executive lounge: polite, but not brimming with knowledge. Problem appears to be caused by "industrial workers on the ramp" – "I've not picked up the reasons". May be linked to "shortage of equipment". He doesn't know when the company found out about the problem. Decisions made by "operational control". Nine flights have been cancelled. He tells me it will be impossible to find "someone more senior" to let me know what's going on.

8.10: When I press the shift manager, he departs to seek more details, admitting: "It will be useful for me."

8.55: Shift manager returns. Declares that company knew at 8pm yesterday that flights needed to be cancelled. "Everyone on cancelled flights was contacted [overnight]." I reply that this certainly wasn't true in my case. (Thomas Cook, the FT travel agent through which the ticket was booked, confirmed later that it was not contacted by BA.) Only reason shift manager can give is "staff shortages". Recommending me to ring BA press office, he adds: "I can only tell you what I'm allowed to tell you, or what the company needs to tell you."

9.05: I phone press office from executive lounge service desk. Am told press officer will ring me back.

9.30: While I wait for phone call, BA market research employee asks me to take part in a test of the company's latest advertising. Am shown a video clip of a fleet of helicopters landing on an island decked out in red, white and blue parachutes, full of fun-loving holidaymakers. The voice-over slogan is: "By trying to be one person's favourite airline, we became the world's favourite airline. We cover the world."

I tell the employee that the advertisement's chief message is that BA spends too much money on promotion and not enough on getting aircraft into the air.

9.40: I telephone press office again, and am told I should have been called last night by the "telesales girls". Because of "staff shortages", nine European and domestic flights have been cancelled affecting fewer than 1,000 people.

9.50: A member of "special customer services" visits me in the lounge. Promises to have someone ring me in the afternoon.

10.15: I leave Terminal 1 to return to central London.

4.15pm: Am telephoned by BA press officer, who apologises for incident. I inform press officer of my desire that BA makes a substantial contribution to a charity of my choice in compensation for this mishap.

9.00pm: Write carefully worded letter of complaint to BA chairman Sir Colin Marshall, and send a copy to press office.

Latest news: Am informed by BA press office that Sir Colin will reply to my letter when he returns from a week's holiday.

ARCHITECTURE

Lessons across the board

Colin Amery reports on a high-level debate on building design

Last week the Financial Times held a special evening at the Royal Society of Arts in London to discuss an important subject: The art of commissioning buildings – all you need to know.

Two hundred people gathered beneath the noble murals painted in the 18th century by James Barry to illustrate the maxim devised by Barry, that the "obtaining of happiness, individual as well as public, depends on cultivating the human faculties." The murals show the progress of man from a condition of savagery to a state of elysium.

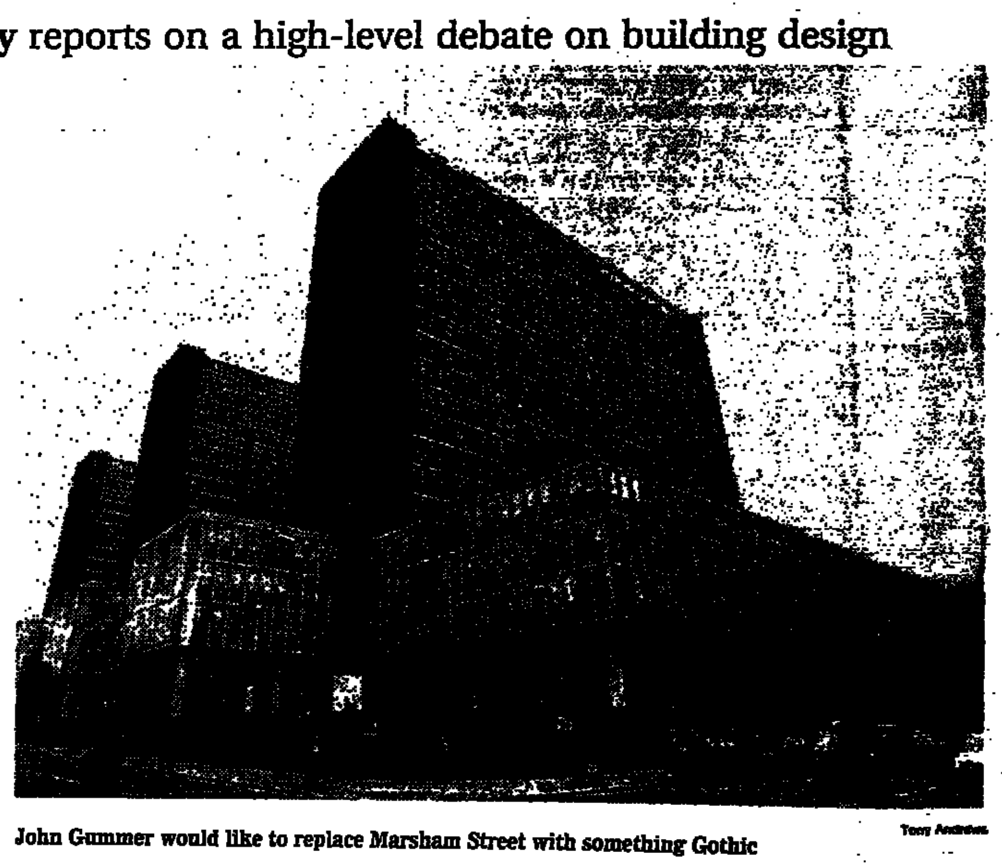
This magnificent example of patronage by the Royal Society of Arts in 1777 should have been an inspiration for the evening. There was a panel under the chairmanship of Sir Simon Hornby that had been put together to represent the breadth of possible patronage in Britain today.

The secretary of state for the environment, John Gummer, took time off from the parliamentary debate about Spanish fishermen, and he was supported by the architect Richard MacCormac; property developer Stuart Lipton, who gave us the Broadgate development in the City of London; the chairman of English Heritage, Jocelyn Stevens, who was a jovial presence; and Jane Priestman, who has advised many big companies, including British Rail, on the diffcult area of "design management."

As always in these kinds of public discussions about architecture it was maintained that the British (in particular the English) are not visually literate. Both the minister and the chairman of English Heritage deplored their schooldays when only the knock-kneed, the enfeebled and those excused games were allowed into the art room or to study anything as decadent and shady as architecture.

Of course, it all depends which school you went to. There was a demand from the audience for architectural appreciation to be taught in schools – and certainly it is a subject that can be aimed at the young.

I do not know where John Gummer gets his enthusiasm for architecture from, but it is genuine, and his love of the 19th century and the Gothic Revival extends to his choice of a house by that difficult architect, S S Teulon, as his constituency home. He was right to point to that peculiar characteristic of the British boardroom: that architecture is somehow not a proper subject for the board's attention. Indeed, there is a certain pride in the attitude that "we have other people to deal with that sort of thing".



John Gummer would like to replace Marsham Street with something Gothic

Tony Andrews

As to how a company board can be convinced of the value of good design, a clear message emerged from the evening: that there has to be one person at board level to take responsibility for the quality of the company's public face. This responsibility can be a exercised in a negative way, by not letting mediocrity represent the company at any level. The atmosphere of a building evokes the atmosphere of the company. Gummer was prepared to take this further and suggest that you often choose which church to go to because of its atmosphere, although this cannot be the reason for his conversion to Roman Catholicism. The Anglicans may suffer theological weakness, but they do still have the best buildings.

Jane Priestman spoke of her recent experience in Japan where companies have something known as "mind identity", which can be turned into architecture as the outward and visible sign of a company's quality. If such a corporate thing really exists, what is the "mind identity" of the Department of the Environment? The minister told the meeting that he planned to demolish his horrendous concrete tower blocks in Marsham Street that ruin the skyline of Westminster, and that he would like to replace them with something Gothic. But he did not feel he had quite the powers of a President Mitterand to insist on style as well as quality.

The story of the president of France taking his entire cabinet to an architectural exhibition is a telling one. It is well known that he also told them which were good buildings for Paris and which were not. This has not happened in Britain because of an official philistinism combined with contempt for the views of the public.

The chairman, Sir Simon Hornby, tried to get the panel to tackle the question of involving the public in architectural decision-making. Only Jocelyn Stevens felt that it was wise to engage the public early on and "avoid convulsions later" – and he was also the lone defender of the client's right to chose an architect without the necessity of an elaborate competition.

This wisdom will catch on. Big design competitions rarely work well and again the public are left out. The furore over the Cardiff Opera House is a case in point. The justifiable public outcry has arisen because people were presented with a ludicrous fait accompli. Thankfully Cardiff is now reconsidering the whole question.

On the horizon is the one thing that the Financial Times panel were agreed on. There is about to be a cornucopia of cash from Britain's national lottery, and much of it will be spent on new or refurbished public buildings. Whether John Gummer's more catholic approach, or the employment of architects fashionable with trendy minorities, will result is all a matter of intelligent commissioning.

Not time yet for death of salesmen

Winston Fletcher makes a case for traditional advertising

In an enthralling recent speech on the future of advertising, Jeremy Bullmore, a director of the advertising group WPP, light-heartedly posited the possibility that "within a startlingly short period consumers – real people – will be able to receive any medium, any part of any medium, any brochure, any advertisement they choose – and it could well be an advertisement designed for an audience of one.

"What digitalisation and interactivity between them will achieve is the total elimination of audience waste. The producer will be able to reach only those consumers likely to consume his product; and the consumer will be spared all irrelevant broadcast messages and all junk mail. Only that of interest to him or her will be allowed up the garden path at the end of the superhighway."

Bullmore made it clear that this vision was not necessarily one he espoused. But it presents a fascinating blueprint for a new marketing era: a blueprint currently enjoying growing, albeit confused, popularity.

Everyone from the chairman of Procter & Gamble to the humblest assistant product manager believes a marketing communications revolution is just around the corner. Everywhere, pundits are predicting cataclysmic changes derived from database marketing on the one hand and interactive television on the other.

Maybe. But I am a sceptic. It seems to me that the over-zealous proponents of database marketing and interactive TV misunderstand, quite fundamentally, how the selling process works. Perhaps they have never enjoyed, or endured, the experience of being a salesman, in a shop.

Anyone who has ever been a salesman knows that the hottest prospects often go cold. Even when customers enter the store determined to make a purchase, they frequently leave empty-handed.

Unless they are sheltering from the rain, anyone who enters a store has made a key, interactive decision: entering a store is a strong indicator of intention to purchase. It is manifestly a stronger indicator than any database can provide, despite which shoppers often buy nothing at all, or see and buy something quite different from the item they originally had in mind. When it comes to buying things, people are more than somewhat capricious. As any salesman will tell you, most of the time people do not know what they want.

How does all this relate to the future of databases and media interactivity? First, it establishes that when it comes to selling it will never be possible to eliminate waste. If people knew exactly what they wanted – a Marxist view of the economic process – selling would be otiose. But it isn't. Sometimes prospective customers can be persuaded. Sometimes they cannot. Selling is unpredictable.

That is why even the most finely tuned direct mail shot can never achieve 100 per cent success. Not even the most silver tongued salesman succeeds every time. Databases – or, as they used to be called, names and addresses – can, of course, enable manufacturers to contact those people who currently buy their products, and those people who display identifiable characteristics which suggest that they are likely to be potential buyers.

But making such contacts is not cheap: on average, £500 per 1,000 by mail, more by telephone. Nor is the database a significant part of the cost, so future computerisation efficiencies will make little difference. (Printing and postage are the heavy cost factors).

None of which is intended to imply that targeting is unimportant, nor to imply that database marketing cannot be cost effective and profitable – just look at *Readers' Digest*. But it cannot eliminate waste. And because it is so expensive, wasteful direct mail can be cripplingly costly.

As databases develop they will be able to hold more information about individuals. This information should, in theory, enable users to increase response levels, though there is no evidence of that happening at the moment. But even if the computers held vast quantities of data about every individual, waste would still occur. So the notion that producers will be able to reach only those likely to consume their products is a delusion. Worse, it is an idea guaranteed to limit business growth.

Nor, at the other end of the spectrum, do interactive telecommunications take sufficient cognisance of the selling process. The essence of interaction is that the customer is a willing participant. In Jeremy Bullmore's words, "only [messages] of interest to an individual will be allowed up the garden path." But back in the shop we noted that people often buy things they did not intend to, things they may not previously have considered buying.

The essence of most media advertising – and of so-called junk mail, for that matter – is that it persuasively draws consumers' attention to products they were not bothering to think about.

That is why advertisements are designed to force themselves on people's attention, to "achieve awareness" (in the jargon of the trade). Relying on viewers to take an interest, interactive tele-selling will be more akin to catalogue shopping than to fast moving consumer goods marketing. Not unimportant, perhaps, but not revolutionary.

All of which explains why I am so sceptical about the much-hyped marketing communications revolution said to be just around the corner. For £500, the TV advertiser can promote his product not to 1,000 people but to 100,000 people, the vast majority of whom would never have bothered to find out about it for themselves, had it not been intrusively drawn to their attention. That is why media advertising will still be thriving in 2,995 AD.

● *Advertising costs half as much as you think it does...but do you know which half?*, by Jeremy Bullmore, is available from the Institute of Practitioners in Advertising, 44 Belgrave Square, London SW1X 8Qs, price £5, tel: 0171-235 7020.

● *Winston Fletcher is chairman of the DFSD Bozell advertising agency.*

Internet briefing

■ Barclaycard has become the first UK credit card to offer some of its services via the Internet, which links 38,000 networks worldwide and over 30m users.

Internet users can request a Barclaycard application form by sending an e-mail message to *info@barclaycard.co.uk*. They can also obtain other information about Barclaycard offers and services.

Barclaycard customers will soon be able to contact the card company's customer services centre on-line, to exchange Barclaycard Profiles points for gifts and make enquiries about their accounts.

However, the computer system which Internet users will have access to is being kept separate from the computer network containing confidential account information, preventing unauthorised access to customers' records. Barclaycard in not yet offering on-line payment systems.

"The Internet is the communications medium of the future and it may possibly become a channel of payment too," said Roger Alexander, managing director of Barclaycard's emerging markets unit. "As technology develops we may be able to ensure the confidentiality and security needed to execute financial transactions on-line. At present this is not the case with the Internet."

Alexander said Barclaycard hopes to contribute to the development of the Internet's security and electronic payment protocol – an area being actively explored by Microsoft, Visa and others.

□ **Price Jamieson, the UK-based specialist recruitment consultants for media and marketing professionals, has launched what it claims is the first European electronic job centre on the Internet. Around 250 job vacancies are currently advertised by Price Jamieson On-Line, a worldwide-web site available at *http://www.gold.net/pricejam*.**

Andrew Swift, director of Price Jamieson, said: "This is a progressive and logical step for Price Jamieson. Our media and marketing candidates and clients are increasingly technology proficient, and the number of Internet users continues to grow." He said the consultants received their first inquiry from a prospective job hunter within an hour of the service going live 10 days ago. Since then 15 people have applied for advertised jobs.

■ Oracle, the US information management software group, claims to have become the first large company to make fully-featured products available over the Internet.

Application developers can download some of the group's new database and data access tools from Oracle's Internet-based worldwide-web site at *http://www.oracle.com/*, for a free 90-day trial.

The company said this represents a first step in its vision of creating an "on-line marketplace" where products and information from the company and its business partners will be conveniently available on the Internet.

Tony Scrivens, head of European distribution for Oracle, said: "Electronic distribution of software is a key element in Oracle's Workgroup/2000 initiative. The worldwide-web server enables Oracle to offer its personal and work group databases and tools to anyone with Internet access. It is a natural complement to Oracle's direct and value-added channels of distribution."

Paul Taylor

On the sliproad to France's superhighway

Today is the deadline for company applications to join a government multimedia initiative. **John Ridding** reports

Prospective test drivers on France's information superhighway are nearing the starting line. Today is the deadline for companies to respond to the government's invitation for regional experiments in multimedia, text and data services. Next month, selected candidates are expected to receive approval to launch their services.

French officials, who invited applications for the experiments last autumn, are confident of a strong response. Their optimism is supported by a flurry of activity among the country's communications and electronics groups and by regional authorities eager to establish services in their locality. Nicolas Sarkozy, the budget minister, said last week that about 300 project applications had so far been received.

Such interest reflects the stakes that are involved. Edouard Balladur, the French prime minister, has backed a study which calls for the establishment of a national *autoroute d'information* by 2015.

Costs could amount to between FFr150bn (£18.1bn) and FFr200bn in infrastructure alone, according to the study. Companies involved at the early stages will be well placed to capitalise as the network develops. Despite such an ambitious objective, however, the strategy outlined by the government smacks of pragmatism. As in the US, emphasis is being placed on experiments to test the kind of services which may be in demand before sacrificing substantial investments.

"We do not want to repeat the cable plan," says one senior government official, referring to huge state investment in a national cable network at the beginning of the 1980s. The French cable industry has proved a costly venture, with all the operators continuing to suffer losses.

Hence the need for experiments as a means of testing the water. As Jacques Henri David, managing director of Générale des Eaux, puts it: "No one yet knows what the infrastructure will be... the market will only be created by the simultaneous advance of technology and services."

Générale des Eaux, along with Lyonnaise des Eaux, France's other big water and communications group, has already indicated its intention to submit trial experiments. It has suggested a number of possibilities, ranging from the supply of telecoms and TV services through its cable networks to the creation of a new fibre optic network for more sophisticated products.

Lyonnaise des Eaux has indicated it will offer a series of services from education to financial transactions. France Télécom and Alcatel are also among the ranks of the heavyweight candidates.

Many contenders are reluctant to discuss details. But some have been forthcoming. Last Friday, for example, Alsace in eastern France presented its project. Dubbed Cristal, it has been developed by regional cities, particularly Strasbourg, and several industrial groups, including France Télecom, Alcatel and IBM.

According to Marcel Rudloff, head of the regional council, the principal objective of the project is to allow the decentralisation of certain public services, such as job offers and training schemes. The investment is estimated at FFr1.9bn by 1999.

Services included in alternative projects include tele-diagnostics, whereby images and data relating to patients' illnesses can be relayed to specialist doctors in other towns or cities.

Other proposals centre on the supply of entertainment services, from video on demand to home shopping and games channels and on business applications. "We will concentrate on services like home-working and the remote payment of bills for utilities," says an official at one company.

For his company, as for others, the system of experiments provides a means of targetting specific markets. As Générale des Eaux puts it: "The advantage of regional experiments is that they provide niche markets such as local sports, property, jobs and shopping."

The implications of the experiments, however, are potentially far reaching. The projects which are selected will shape the government's strategy towards investment in its *autoroute d'information* and the combination of public sector and private sector participation and financing.

The experiments may also have a bearing beyond the French regions selected for the trials. France is currently holding the presidency of the European Union and is seeking to stimulate development of information superhighways among its EU partners. "This is an area where Europe cannot afford to be left behind by the US," says one official, adding that Paris will push its EU partners to join trans-border trials.

Sony launches PALplus

By Alice Rawsthorn

There is a new addition to the rows of television sets awaiting dispatch from Sony's factory at Bridgend in Wales – the first of the company's PALplus sets.

PALplus is the new format that Sony, and the rest of the consumer electronics industry, hopes will take the $12.8bn European TV market by storm in the mid-1990s.

It offers superior visual and sound quality to the old generation of PAL television sets. PALplus also enables the viewer to watch films in their original cinematic proportions – the screen is in the same 16:9 ratio as that of a movie theatre – rather than in the squashed versions relayed on traditional TV screens.

Nokia became the first manufacturer to venture into the PALplus market last autumn, when it launched the first commercially available sets for around £1,500 each. Sony started manufacturing PALplus sets at its Bridgend plant this month. *Philips* launched its first PALplus models in Germany before Christmas and will introduce them in other European markets, including Britain, in March.

All three companies are anxious to find a way of stimulating the European TV market, which has been mature for over a decade and therefore dependent on replacement sales.

The industry had originally expected high definition television, or HDTV, to stimulate the market by establishing itself as *the* format of the late 1990s. However, HDTV's launch has been bogged down by regulatory rows, and the industry has switched its attention to the PALplus system which, although technically inferior to HDTV, is superior to the *existing PAL format*.

As PALplus catches on, European broadcasters are expected to film more programmes in that format. Each new TV set is fitted with a device to convert PAL transmissions into PALplus proportions.

The television manufacturers hope that these advantages will be enough to persuade European consumers to buy PALplus sets. One encouraging precedent is their experience in Japan where wide-screen TV (the Japanese version of PALplus) was launched two years ago and already accounts for a fifth of new TV sales.

A latter-day Phileas Fogg tunnels out of RTZ

As **Ian Strachan** swaps one set of initials for another, **Kenneth Gooding** reports on the smooth communicator who is moving to BTR

Good communicators know when to keep quiet. That is what Ian Strachan was doing last week, politely refusing to talk about his appointment as BTR's managing director until he has had a chance to settle firmly into his seat at the industrial conglomerate he will join in July.

Strachan was apparently head-hunted partly because of his communication skills. He knows it is better to be diplomatic at a time like this, when there are bound to be some bruised egos among those passed over at BTR.

It is not the first time Strachan's communication skills have helped to win him a high profile job. Nor is it the first time he has been recruited by a group that usually promotes from within its own management ranks.

He joined RTZ in October 1987, at the age of 44 – the first "outsider" to be invited into the boardroom, as director responsible for finance, planning and administration.

A new management team at RTZ, headed by the late Sir Alistair Frame and Sir Derek Birkin, had streamlined the management and ousted some of the old guard to make way for younger ones, but still needed someone to tell the City of London about these important changes.

Strachan's smooth, polished charm and ability to explain the complexities of RTZ's far-flung operations quickly helped to win for RTZ the image it was seeking.

He speedily proved he was no slouch as a finance director either. He and Bob Wilson, then RTZ's director of mining and metals, brought off one of the mining industry's biggest coups, the $3.7bn acquisition of most of British Petroleum's mining and minerals assets.

BP was persuaded to sell those assets, which included Bingham Canyon, one of the world's biggest and lowest-cost copper-gold mines, without putting them up for auction. Within a year Strachan had reduced RTZ's gearing, which soared to 135 per cent after the BP deal, to a modest 34 per cent.

To this end he masterminded the sale of RTZ's chemicals business for £568m and the oil and gas operations for £310m. More recently he helped with the sale of other non-core assets, which were held under the Pillar umbrella, for £900m.

He was credited with keeping RTZ's finances in a state of permanent readiness, so that it could pounce opportunistically on any juicy mining asset that suddenly became available.

Strachan also pressed for RTZ to list its shares on the New York Stock Exchange. Before this was done, in 1990, only 3 per cent of RTZ's issued shares were held in north America, yet the group was earning about half its attributable profit there.

BTR has also taken on someone with an impressive academic record. Strachan is a graduate of Christ's College, Cambridge (double first in history) and has a master's degree in public affairs from Princeton University. He was also a teaching fellow at Harvard.

He is widely travelled. His early career included 16 years with the oil side of Exxon Corporation in the US, Japan and Hong Kong, while his directorships of various RTZ subsidiaries – mainly in Australia, Latin America and the US – have necessitated his moving around the world with monotonous regularity.

Analysts rate him as a good strategic thinker. In his last two years at Exxon he was manager of corporate strategy in New York, before he joined insurance brokers Johnson & Higgins, from where he was head-hunted by RTZ.

He was an obvious candidate for the chief executive role when RTZ shuffled its very small headquarters team in London after the retirement as chairman of the late Sir Alistair Frame in 1991. But he lost out to Bob Wilson, a less charismatic personality.

Analysts suggested at the time that Sir Derek Birkin, who moved from being chief executive to executive chairman, plumped for Wilson, who had been with the group since 1970, because he was associated with the operating businesses.

Appointing a finance man, particularly one who had been with RTZ only since 1987, might have sent the wrong signal to investors – that RTZ was merely another holding company rather than a "hands on" manager of its assets.

All that Birkin would publicly acknowledge, however, was that he was "lucky to have two of the brightest young executives in Britain" working with him.

Strachan was appointed deputy chief executive and given responsibility for RTZ's industrial minerals operations. This was more than a consolation prize. RTZ's global operations place a great demand on executive time and Wilson needs the backing of someone he and Birkin can trust. In addition, the industrial minerals operations account for about 30 per cent of RTZ's profits.

There was important work to do streamlining and restructuring the Borax business, which mines and processes borates in the US and Argentina and markets them worldwide. (Borates are used in a wide variety of products, including glass fibre and washing powders.) As one RTZ director delicately put it, Borax "had grown a bit fat over time and Ian dealt with that admirably".

There was never any sign that, in his disappointment, Strachan was looking to move away from RTZ, which is now a substantial group with 1993 turnover of £4.8bn and profits before tax of £652m. Although Wilson is only six months older than him, Birkin is 65 and seems to be easing his way out of the chairmanship – he is now non-executive chairman.

Analysts were anticipating an RTZ in the not-too-distant future with Wilson as executive chairman and Strachan as chief executive. RTZ's accounts indicate that Strachan was paid about £500,000 in 1993 and he had options on nearly 200,000 RTZ shares.

So it would not have been easy to prise him away from RTZ. However, there was help close at hand when Strachan was doing his "due diligence" on BTR. For the second "outsider" to join the RTZ board was Chris Bull, who replaced Strachan as finance director after the 1991 shuffle. And he was head-hunted from BTR.

NAMES IN THE NEWS

Can Kloster keep Cruise afloat?

It is touch and go whether Einar Kloster, 56, chairman of Vard, can rescue one of the great names in the cruise ship business, writes Karen Fossli. The last time he ran the business in the late 1980s he pushed profits to record levels but the stock market remains deeply divided on whether he can work the same magic for a second time.

It is less than a year since he gave up his job at Philips, where he ran the lighting division of the Dutch electronics giant, to return to head Vard – parent of the family's Miami-based Kloster Cruise. However, his return has not stemmed the steady decline in Vard's share price, once trading at over NKr 200. Last week it dropped by more than a third in one day, to NKr 8.

Kloster's problem is that Kloster Cruise has around $835m of debt, an ageing fleet, and is facing increasing competition in the US cruise market. Last week's refinancing of Vard gives limited breathing space but it is not going to solve its major problem of recapitalising its offspring. It will have to float a substantial stake in Kloster Cruise if it is to have a future.

Einar Kloster can be forgiven for feeling a sense of *déjà vu*. When he left the company in 1988 it was after a humiliating defeat over his plan to take Kloster Cruise public in October 1987, which coincided with the stock market crash. After the flotation was abandoned, he struggled to find a new strategy but became disillusioned by the dominance of other board members.

This time Kloster's room for manoeuvre is much more limited. Its financial condition is much weaker, the competition is far stronger, and the recent volatility in the share price indicates that investors have no idea what the company is worth. The only thing Einar Kloster has going for him is the knowledge that Kloster Cruise is perhaps the last remaining entry ticket for anyone interested in the US cruise market – provided, that is, he can keep it afloat.

New German regulator

Georg Wittich will have his work cut out, writes Katharine Campbell. He is the boss of the new German securities regulatory authority that officially came into being this month to track down insider traders and otherwise improve market transparency. "I don't think things will change very much," was the sceptical, but far from atypical, view of one senior German banker.

Insider trading only became a crime in Germany last summer, and the country's status as a serious financial centre has been greatly impaired by what has until now been an ineffective form of self-regulation.

While the banks are perfectly aware of the need to catch up internationally, they are naturally distrustful of bureaucrats in general. They are also used to a banking regulator that, hitherto at least, has been tucked away in Berlin, often very out of touch with the markets.

By contrast, Wittich, a career official at the ministry of finance, has the blessing of his colleagues on the international regulatory circuit. His very independence from the powerful banks is seen as one of his most positive attributes; at least one other candidate thought to have been in the frame for the post – Rüdiger von Rosen, a director of the German Stock Exchange – was perceived as lacking that distance.

A lawyer by training, Wittich entered the MOF 25 years ago. Apart from five years at the German embassy in Tokyo in the mid-1980s, he has worked his way up in Bonn, in his last job heading the department concerned with international securities regulation.

Well-known internationally as the German representative at the International Organisation of Securities Commissions, he is liked for his geniality, his command of English, and his undogmatic approach. At the last Iosco meeting, he became vice chairman of the important technical committee, in itself a recognition of Germany's progress in creating the authority. He could well become committee chairman two years from now.

Wittich's number two is Georg Dreyling, who was in charge of stock market regulation in the economics ministry of the state of Hesse.

Steffen moves up at Citicorp

What should the Kremlinologists who watch Citicorp make of the latest elevation of Christopher Steffen, the outsider responsible for shaking up large parts of the US's biggest banking group in recent months, asks Richard Waters.

Steffen, a former chief financial officer at Eastman Kodak and Honeywell, was brought in by chairman John Reed in 1993 to cut costs and hammer Citicorp's operations into shape. He was also given charge of technology, an area where the bank had gained a scant return for some big investments in the 1980s.

Last week, Steffen was named a vice-chairman, making him the fifth to hold the title (the others include Bill Rhodes and Onno Ruding). As a senior executive vice-president, Steffen had already sat at Citicorp's top table with them since joining the bank in May 1993.

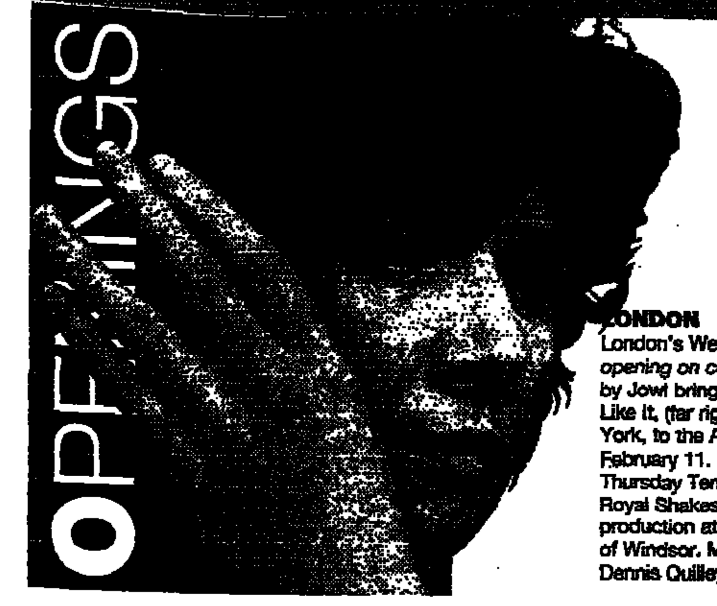
Has the gold bracelet-wearing Steffen been singled out to succeed Reed? As Citicorp's *de facto* chief operating officer, his application of the sort of operations management techniques familiar in industry (but still rare in banks) has left him strongly placed. Also, at 52, he is somewhat younger than his peers.

But Reed himself is only 55, and shows no signs of letting go. "John has no intention of going off to play golf," a Citicorp staffer says. "He is enjoying himself too much." And while the once publicity-hugging Reed has sunk from public gaze since the bank's brush with disaster in 1992, he remains very much in control.

That means Reed's successor is more likely to come from the next rung down the managerial ladder: the so-called "Group of 16".

ARTS

OPENINGS



PARIS
Since the Chung affair last September, the Opéra Bastille has managed to keep out of the headlines - but it desperately needs an artistic success to restore its fortunes. The new production of Donizetti's Lucia di Lammermoor, opening on Thursday, has suitable ingredients. The cast is headed by June Anderson and Roberto Alagna, and the staging is by Andrei Serban.

NEW YORK
A major Kandinsky exhibition opens at the Museum of Modern Art on Thursday. Seven of the monumental "Composition" paintings - marking his transition from figurative to abstract subjects - will be included, alongside numerous richly-coloured preliminary studies.

BERLIN
A new staging of Beethoven's Fidelio at the Staatsoper gives an important international platform to Stephane Braunschweig, one of France's leading young theatre directors. The first of six performances is on Sunday, with Daniel Barenboim conducting a cast headed by Catherine Malfitano and Peter Seiffert. The production will be shown in Paris in April and Jerusalem in September.

SOUTHAMPTON
Pianist Don Grolnick is best known as a sideman on classic recordings by Linda Ronstadt and Steely Dan among others. But he's also leader of an acclaimed jazz septet which features the Brecker brothers Michael and Randy. They bring their collision of bebop and R&B to the UK from tomorrow starting at Southampton.

LONDON
London's West End sees two Shakespeare comedies opening on consecutive nights. On Wednesday Cheek by Jowl brings Declan Donnellan's all-male As You Like It, (far right) after a triumphant tour including New York, to the Albery Theatre for a limited season until February 11. Meanwhile at the Olivier Theatre on Thursday Terry Hands, former artistic director of the Royal Shakespeare Company presents his first production at the National Theatre - The Merry Wives of Windsor. Maureen Beattie (left) is Mistress Page and Dennis Quilley is Falstaff.

Man for all seasons

The caustic wit of Hindemith's decadent period is popular today, although he spent his later years rewriting much of it, writes Andrew Clark

Hindemith: he felt that the frivolous excesses of the 1920s led to the rise of Nazism

Imagine two couples seeking divorce, a group of bored tourists being conducted round a museum, and a soprano taking a bath – all observed by a posse of sensation-hungry reporters and photographers. A parody of our times? No, it is *Neues vom Tage* (News of the Day), Paul Hindemith's operatic satire of 1920s social behaviour, which has just been revived at Heidelberg. The performance may lack the novelty-value of the Berlin premiere under Klemperer in 1929, but it underlines the work's caustic wit and enduring topicality.

The Heidelberg production is the first major event of the Hindemith centenary in Germany. It is also a forceful reminder of why the leading younger-generation composer of the Weimar era was blacklisted by the Nazis: his subject-matter was "decadent", and Hitler himself is said to have objected to the soprano's bath scene. Nothing could be further removed from the reactionary profile of the mature Hindemith, whose concerts and lectures in the 1950s are still etched on the memories of older German musicians today.

The centenary has fallen at just the right time. In Germany, it coincides with a rising tide of curiosity and nostalgia for the 1920s – when Hindemith was at his most radical, creating works which seem modern even for the 1990s. It also coincides with a conservative trend in European musical life – a climate favouring composers who built on tradition and sought a stronger bond with the public than the post-war serialists. Hindemith, who died in 1963, scores on both points.

Unlike the English-speaking world, where mention of Hindemith often meets a numb response, German-speaking Europe has long accepted him as a repertoire composer. His dry intellectual style may never win him popularity, but not a season passes without performances of *Mathis der Maler*, *Cardillac* and the *Kammermusik* series. His sonatas for horn, trumpet and harp are obligatory for German orchestra auditions. Royalties alone provide the Hindemith estate with around DM2m (£830,000) a year.

But even Germany is still only beginning to get to grips with Hindemith's artistic legacy. Hindemith and his wife Gertrud, who died childless, left their estate to a specially-created foundation, to further the cause of his music and the careers of young musicians. The Hindemith Foundation organises courses and masterclasses at his last home at Blonay, overlooking Lake Geneva in Switzerland – an ideal setting for peaceful study and musical recreation.

It also finances the Hindemith Institute in Frankfurt, which houses manuscript scores and other material. The institute has so far published 27 volumes of a complete critical edition – about half the projected total. With the exception of Schoenberg, no other 20th century composer has had his life and work so comprehensively documented.

Here are the early unpublished scores – including three songs for soprano and large orchestra, in the late Romantic style Hindemith was to ridicule so effectively in *Neues vom Tage*. Here are numerous piano-accompanied songs from the late 1930s and 1940s, set to poems by Mallarmé, Rilke and Whitman, many still awaiting first performance. And here are the sketchbooks, almost as neat as the published scores.

The institute has also collected Hindemith's expert caricatures and drawings, riddled with intellectual jokes. Equally fascinating is his correspondence. A 1961 letter from Sir Adrian Boult, for example, thanks "My Dear Friend" for his gift of the *Trauermusik* autograph: "There's nothing that can be more precious or full of memories than those two sheets".

But the biggest task facing the institute is to disentangle the different versions of Hindemith's major works. In his lifetime, most of Hindemith's revisions were judged to be a watering-down of the original. Today, German critics and musicologists are inclined to be more sympathetic.

Giselher Schubert, the institute's director, argues that Hindemith was no different from Stravinsky or Boulez in wanting to revise his work in the light of experience. "He wasn't the type who composed music and then put it out of his mind. He was scrupulous in revising it, often in the light of his experience as a conductor. We can be happy there are so many versions to choose from – many more than were known during his lifetime."

One such case is the *Konzertmusik* for viola, which Hindemith himself premiered under Furtwängler in 1930. The first version ran to six movements, but the version known today includes only five, one of which is a replacement for the original finale. Viola virtuosi are likely to regard the two "missing" movements as treasure-trove when they are eventually published.

The Clarinet Quintet has an equally curious history. It was published in 1955, when Hindemith was already under attack for his revisions. To deflect further criticism, his publishers let it be known that the quintet was a new score. Only recently did the institute discover that it was an extensively revised version of an unpublished work dating from 1923.

Schubert says Hindemith's increasing conservatism cannot simply be explained by musical taste in the US, where he settled in 1940. "Other composers, like Schoenberg, Bartók and Stravinsky, became more conservative when they moved to America. For Hindemith, the key experience was the Nazi era. He felt the avant-garde excesses of the 1920s had played into the hands of right-wing extremists, that the frivolity and decadence of the Weimar years contributed to the rise of National Socialism."

The experience persuaded Hindemith of the artist's responsibility to society, which became the dominant theme of his later years. Schubert quotes Hindemith's Bach lecture at Hamburg in 1950, in which he spoke of the ethical function of music – "to help people become better human beings, not to stir man's lesser instincts. It was a complete change from his avant-garde leanings of the 1920s. That explains why his later music was less sensation-seeking, and why he was an outsider in the 1950s, when serialism became the new orthodoxy."

The Heidelberg production of *Neues vom Tage*, part of a double-bill based on librettos by Marcellus Schiffer, showed the young Hindemith at his provocative, dextrous best – eager to poke fun at traditional opera and German culture. Ulrich Peters' staging, designed by Klaus Teepe, preserved the period setting, but missed some of Hindemith's wittiest *coups* – notably in the museum scene, where the smashing of the statue of Venus went virtually unnoticed. Cast and chorus, conducted by Peter Stangel, were often at sea with Hindemith's hectic rhythms.

The company had an easier time with the second part of the bill – Mischa Spoliansky's cabaret opera *Rufen Sie Herrn Plim* (Send for Mr Plim). Spoliansky was one of Marlene Dietrich's key song-writers in 1920s Berlin. He moved to London after the Nazi putsch and died in relative obscurity in 1985. *Rufen Sie Herrn Plim* (1932) is an uproarious 50-minute satire on sales techniques in modern department stores, merging opera with the 1920s style of revue and chanson. Heidelberg certainly did it justice, with Christian Elsner capturing all the pathos of the title role. Taken together, *Neues vom Tage* and *Herr Plim* made an enterprising programme – packed with popular appeal.

Theatre/Sarah Hemming

Blasted by violence

Audiences mounting the stairs to see Sarah Kane's *Blasted* at the Royal Court are advised by a notice that some people might find the play disturbing. Disturbing? Surely not. You mean there are people out there who might object to two hours of offensive language, physical abuse, rape, buggery, masturbation, mutilation, defecation and er, let me see, are we forgetting anything? Oh yes, of course, cannibalism. Disturbing? You'd have to be disturbed not to find this grotesque little play deeply depressing.

Of course, plenty of dramatists have explored this sort of thing before. The revenge tragedians would probably think us a lily-livered lot to object to a spot of baby-eating and eyeball-chewing (no kidding) on stage. And Shakespeare was no slouch when it came to depicting horror and violence. But he did offer plot, character, poetry and a coherent moral framework. *Blasted* just provides incident upon incident of violence and degradation.

I am sure Sarah Kane and her director, James MacDonald, do not intend to present gratuitous violence that simply upsets: Kane seems concerned with the dehumanising effect of war and her play is a genuine endeavour to tackle the problem of living in a society where violence and hatred are all around.

She neither glamorises violence nor renders it acceptable by placing it in context; in fact, her play is a bold attempt to deal with it neat. The problem is that she is hoist by her own petard. There is not enough besides the degradation so it emerges as gratuitous, oppressive and, finally, tedious.

Into a blandly decorated hotel room come Ian, a raddled tabloid journalist, and Cate, his disturbed young ex-girlfriend. He is smoking and drinking himself to death; she is prone to unexplained fits. He is loathsome; she is pure (Pip Donaghy and Kate Ashfield do as much as they can within these confines) and for the first hour of the play, he expounds his bankrupt philosophy of life and tries to cajole or force his prey into bed. Then just as this is becoming unbearably boring, hey presto, into the room strides a soldier with a rifle (Dermot Kerrigan), who proceeds to humiliate, terrify and torture Ian – but not until he has subjected him and the rest of us to detailed descriptions of his appalling war crimes.

What is going on? Hard to say. Perhaps it is a dream, or perhaps civil war has broken out in Britain and we are seeing in a Leeds hotel what people in Bosnia have to endure. Or perhaps the war zone is symbolic and universal – whatever. Kane explores the easy slide into barbaric behaviour. There are several problems with this. We already know how brutal people can be and how profoundly distressing this is: just serving it up achieves nothing but to remind us. Secondly, we care so little about the play's characters that their descent into hell has little meaning. Thirdly, the catalogue of horrors work against itself and finally becomes absurd. At the end, Ian, who has missed his English breakfast in all the excitement, takes a bite out of a dead baby (ah well, what can you expect of a tabloid hack?), while she, whom we know to be a vegetarian, sinks her teeth into a greasy sausage.

The play is clearly a cry from the heart and perhaps violent times demand violent art: the trouble with *Blasted* is that, whatever its aims, it contributes little to our understanding, and its pointless violence just comes over as pointless.

At the Theatre Upstairs, Royal Court, London SW1

Pip Donaghy as the tortured Ian — Alastair Muir

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Semiramide: by Rossini. Ion Marin conducts the Royal Symphony Orchestra at 1 pm; Jan 28
● The Royal Concertgebouw Orchestra: Valery Gergiev conducts Bartók and Stravinsky at 8.15 pm; Jan 25, 26, 27
OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● L'Italiana in Algeri: by Rossini. Produced by Dario Fo, conducted Alberto Zedda at 8 pm; Jan 24, 26

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249
● Aida: by Verdi. Conductor Stefan Soltesz, production by Götz Friedrich at 7 pm; Jan 25 (6 pm), 28 (6 pm)
● Ballet Evening: conducted by Sebastian Lang-Lessing. Nacho Duato, Glen Tetley and Harris Mandafounis choreograph works by Debussy, Poulenc and Stravinsky at 7 pm; Jan 27 (7.30 pm)
● Der Fliegende Holländer: by Wagner. Conducted by Heinrich Hollreiser, production by Gustav Rudolf Sellner at 7.30 pm; Jan 31
● Madama Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani at 7 pm; Jan 26 (7.30 pm)

■ BONN

OPERA/BALLET
Oper Der Stadt Tel: (228) 7281
● Tanhäuser: by Wagner. Conducted by Jiři Kout, production by Götz Friedrich at 6 pm; Jan 29
● Tutiguri: by Rihm. Choreographed by Moses Pendleton, conducted by Arturo Tamayo at 7.30 pm; Feb 2, 3

■ BRUSSELS

CONCERTS
Philharmonique de Bruxelles Tel: (02) 507 8434
● Champs-Elysées Orchestra: with cellist Christophe Coin and conductor Phillipe Herreweghe plays Schumann at 8 pm; Jan 23

■ FRANKFURT

CONCERTS
Alte Oper Tel: (069) 1340 400
● Philharmonia Orchestra London: with pianist Tzimon Barto, and conductor Lawrence Foster plays Beethoven and Brahms at 8 pm; Jan 24

■ LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● Pierre Boulez: conducts the London Symphony Orchestra with soprano Jessye Norman and the London Symphony Chorus for part of his 70th birthday celebration. Music includes Berg, Bartók and his own, 'Livre pour cordes' at 7.30 pm; Jan 24, 26, 29
Festival Hall Tel: (071) 928 8800
● Handel: Messiah: Charles Francome conducts the Royal Philharmonic Orchestra and soprano Turid Karlsen, contralto Ruby Philogene, tenor Hirohisa Tsuji and bass Hubb Claessens at 7.30 pm; Feb 1
● Philharmonia Orchestra: conducted by Lawrence Foster plays Rossini, Paganini and Tchaikovsky at 7.30 pm; Jan 30
● Royal Philharmonic Orchestra: with soprano Galina Gorchakova and conductor Valery Gergiev plays Wagner at 7.45 pm; Jan 24, 31
● The London Philharmonic: jazz meets the symphony. Lalo Schifrin conducts this fusion of classical and jazz traditions at 7.30 pm; Jan 29
● Vienna Philharmonic Orchestra: Bernard Haitink conducts Bruckner's Symphony No. 8 at 7.30 pm; Feb 2
GALLERIES
Barbican Tel: (071) 638 8891
● Impressionism in Britain: the first comprehensive survey of the development of Impressionism in Britain. Over 200 works by over 100 artists including Degas, Rothenstein and Whistler; to May 7
OPERA/BALLET
English National Opera Tel: (071) 632 8300
● Figaro's Wedding: in house debut for conductor Derrick Inouye at 7 pm; Jan 26, 28
● King Priam: a new production of Tippet's opera that opens the London festival - Tippet: Visions of Paradise, to celebrate the composers 90th birthday at 7.30 pm; Feb 3
● Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a mafia boss at 7.30 pm; Jan 23, 27; Feb 1
Royal Opera House Tel: (071) 340 4000
● Cosi Fan Tutte: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidò. In Italian with English surtitles at 7 pm; Jan 23, 25, 28, 31; Feb 3
● Otello: by Verdi. Conductor Carlo Rizzi, director Elijah Moshinsky. In Italian with English surtitles at 7.30 pm; Jan 24, 26; Feb 1
● Troilus and Cressida: by Walton. An Opera North production conducted by Richard Hickox and directed by Matthew Warchus at 7.30 pm; Jan 30; Feb 2
THEATRE
National, Lyttelton Tel: (071) 928 2252
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Feb 3
National, Olivier Tel: (071) 928 2252
● The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. With Denis Quilley as Falstaff, Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistress Ford at 7.15 pm; Jan 27, 28 (2 pm), 30

■ MADRID

CONCERTS
Fundación Juan March Tel: (91) 435 48 40/435 42 40
● Henry Purcell and Other English Composers: a series of concerts of works by English composers such as Purcell, Tallis and Gibbons at 7.30 pm; Jan 25

■ NEW YORK

GALLERIES
Museum of Modern Art Tel: (212) 708 9480
● A Century of Artists' Books: Exhibition of 140 books from some of this century's foremost artists; to Jan 24
● Kandinsky: Compositions: exhibition featuring approximately 40 works including seven of the surviving 'Composition' paintings; from Jan 26 to Apr 25
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Cavalleria Rusticana / Pagliacci: by Mascagni/Leoncavallo. Production by Franco Zefirelli, conductor Christian Badea at 8 pm; Feb 1
● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 24, 28; Feb 3
● Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnelle, conducted by James Levine at 8 pm; Jan 25, 28 (1.30 pm)
● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco. James Levine conducts the opening night cast of Cheryl Studer, Plácido Domingo and Vladimir Chernov at 8 pm; Jan 23, 26, 30; Feb 2

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● National Orchestra of France: with violinist Sarah Chang and conductor Charles Dutoit plays Ravel, Lalo and Stravinsky at 8.30 pm; Jan 24
● Viennese Philharmonic Orchestra: Bernard Haitink conducts Bruckner at 8.30 pm; Jan 30

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Chamber Orchestra: 10th anniversary gala concert with the Washington Bach Consort. Piotr Gajewski conducts at 8.30 pm; Jan 25
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Feb 2
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 8 pm; Jan 25, 30; Feb 1, 3
● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 23 (7 pm), 26, 29 (2 pm)
THEATRE
Kennedy Center Tel: (202) 467 4600
● How to Suceed in Business Without Really Trying: co-production with the Kennedy Center. Directed by Des McAnuff and starring Matthew Broderick as J. Pierrepont Pinch, the little window-washer with big corporate dreams at 8 pm; from Jan 29 to Feb 26 (Not Mon)

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)
MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Why the fiscal rules must be changed

MICHAEL PROWSE on AMERICA

I confess that I support the proposed balanced budget amendment to the US Constitution, to be debated later this week. I know that there are few surer ways of appearing rigid and reactionary, if not a little stupid.

Yet given that the federal government has not achieved a surplus since 1969 – the era of flower power and the Vietnam War – and shows no signs of achieving one in the foreseeable future, it strikes me that exceptional measures of some kind are required. A Constitutional amendment is a way of radically altering the rules of the fiscal game. It provides the best hope of creating a climate in Washington in which politicians can pursue fiscal policies that are truly in the national interest.

Economists claim that a balanced budget amendment would remove an important source of macroeconomic flexibility. Jurists protest that the Constitution – a sacred document – should not be cluttered with economic provisions. Politicians complain that responsibility for tax and spending belongs with elected representatives and not with the courts. Sceptics of all persuasions argue that legal remedies are no substitute for political will: if Congress were placed in such a straitjacket, it would simply fudge the numbers and put more programmes "off budget".

None of these objections is compelling. The lesson of recent decades is that fiscal fine-tuning does not work: counter-cyclical policies are best left to the monetary authorities. In any case, prohibiting deficits does not logically rule out a fiscal stimulus. If (to be fanciful) the federal government regularly ran a moderate surplus – say of 2-3 per cent of national income – it could provide a stimulus during recessions simply by saving less; it would not need to borrow a cent.

Nor is an amendment likely to be either ineffectual or create insuperable legal headaches. The main problem with past expedients such as Gramm-Rudman was that Congress could easily override them; reversing a Constitutional amendment is a long process. The temptation to fudge the numbers would be restrained (if not eliminated) by politicians' respect for the Constitution, which they are sworn to uphold. Fears that judges would end up setting tax rates can be dispelled by looking at the states' experience: nearly all are required to balance their budgets but none of their legislatures has abdicated responsibility to courts. Politicians enjoy power too much to want to hand fiscal levers to judges.

Conservative critics worry that the focus on budget balance is misplaced. What matters, they say, is that the growth of public spending and taxation is restrained. A deficit of \$300bn (£192bn) and public spending equivalent to 30 per cent of national income would be preferable, they say, to a balanced budget and public spending of 40 per cent of national income. They fear that if Congress were to refuse to cut the growth of spending, a balanced budget amendment could be used to lever up taxes.

To allay such fears, congressional Republicans have added to the amendment a provision stipulating that tax increases should need a three-fifths "supermajority" in both houses of Congress. Predictably, this is even more controversial than a simple balanced budget provision and appears likely to be voted down.

Critics say supermajorities are undemocratic because they give blocking power to a minority. Yet there is nothing sacred about majority voting. When legislation affects the vital interests of citizens (and taxation does because it is, in effect, the seizure of property), it is not unreasonable to require evidence of widespread popular support. Was it equitable that Vice President Al Gore's casting vote enabled the Clinton administration to load the entire burden of tax increases in 1993 on 1-2 per cent of families?

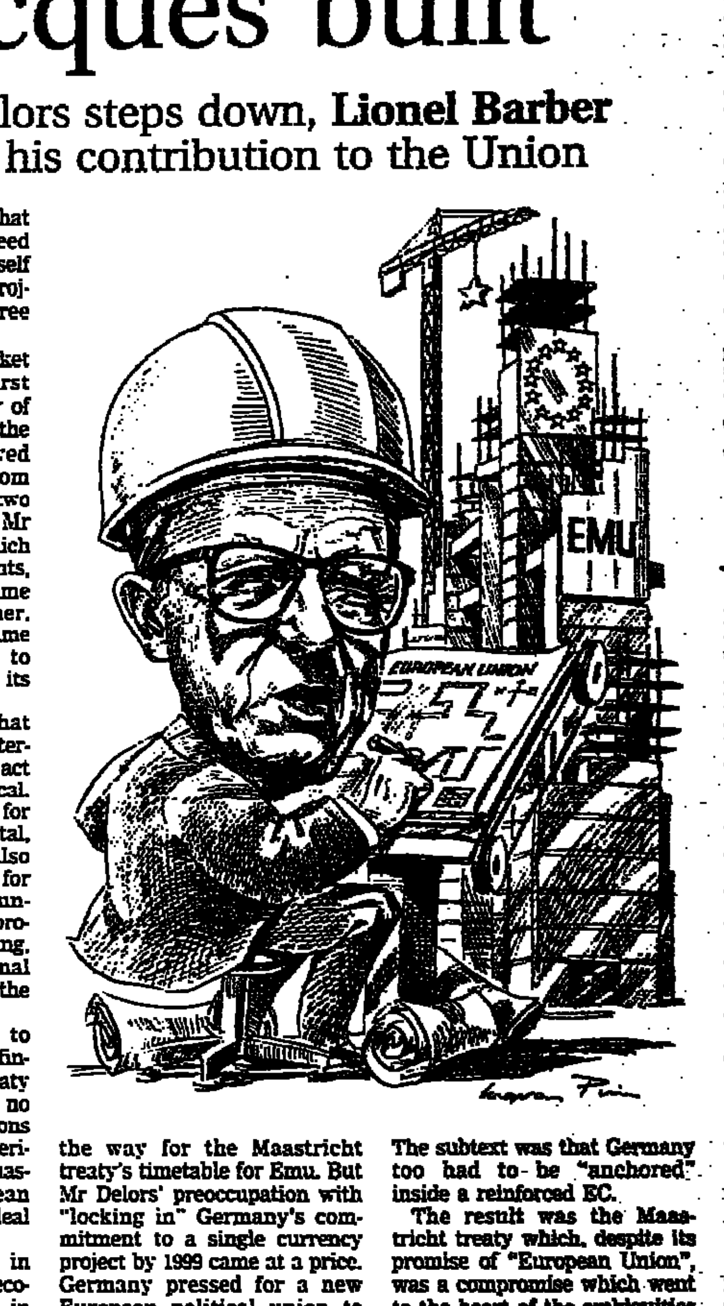
Even if the supermajority tax provision fails, a Constitutional amendment requiring that current spending normally be financed by current taxation would be a sensible rule change. Deficit finance is irresistible because it enables politicians to extend benefits to favoured groups (for example, pensioners and farmers) without, apparently, imposing penalties in higher taxes on anybody; instead bonds are sold to willing investors and the burden is transferred to future generations which do not have a vote. In an open political system, such as Washington, where pressure groups wield tremendous power, such burden-shifting is liable to continue indefinitely – unless the rules of the game are changed.

A Constitutional remedy would be far from undemocratic because it could not be enacted without proof of widespread support: a two-thirds majority in both houses of Congress as well as ratification by three quarters of state legislatures. It is best seen as a means of ensuring that politicians stop pandering to the short-term interests of particular groups and instead pursue fiscal policies that are in the nation's long-term interest.

Nor are Republicans cynical in arguing that it makes sense to agree on this rule change before explaining in detail how the rule will be obeyed. To set out in detail a precise route to fiscal balance in 2002, as demanded by Democrats, would simply invite opposition from the interest groups which the amendment is intended to thwart. If the amendment were passed, Congress would have a mandate to take the tough decisions – for example on "entitlement" programmes – that everyone now wishes to duck. And although unpalatable, the challenge is not unmanageable. The deficit is now about 2.5 per cent of national income. Reducing this to zero over a period of seven years is surely not an impossible task for a prosperous nation such as the US.

The Europe that Jacques built

As Mr Delors steps down, **Lionel Barber** assesses his contribution to the Union



Mr Jacques Delors, who steps down as president of the European Commission today, will be remembered as one of the most talented, visionary and divisive figures of post-second world war Europe.

A thinker on a grand scale, Mr Delors has devoted the past 10 years in Brussels to one overarching goal: the creation of a united Europe able to punch its weight on the world stage next to the US and Japan, as well as China in the 21st century.

The single European market, the European Economic Area – the halfway house linking the EU to aspiring members – and the plans for political and monetary union are the building blocks of this enterprise, and each bears the indelible mark of Mr Delors. His contribution to the European cause rivals those of Jean Monnet, Walter Hallstein and Robert Schuman, the founding fathers of the European Community.

Yet the Delors decade also coincided with a polarisation of public opinion over European integration, and he admitted that he may have overreached himself in his final years. The recession of the early 1990s and the forces of nationalism unleashed by the end of the cold war account for much of the gloom; but Mr Delors himself must share the blame.

His uneasy combination of intellectual rigour and populist polemics irritated people in the UK and Denmark who take a more detached view of Europe. In his native France, his support for a Franco-German led federation of European states provoked charges that he was a *collaborateur*. In Germany, where he still earns credit for his support of German unification inside the European Union, his name became a byword for Brussels meddling.

Mr Delors is a mass of contradictions. As Charles Grant writes in his biography*: "He is a socialist trade unionist who once worked for a Gaullist prime minister and who describes himself as a closet Christian Democrat. He is a practising Roman Catholic who takes moral stances and claims not to be ambitious; yet he is a crafty political tactician who enjoys power and has held the Commission in an iron grip. He is a patriotic Frenchman with a vision of a unified Europe."

He arrived in Brussels 10 years ago, a little-known former French finance minister with ideas about a single currency and common European defence. He soon realised that he would have to proceed slowly, and so confined himself largely in 1985-88 with the project to create a barrier-free internal market by 1992.

The idea of a single market was hardly new; it first appeared in the 1957 Treaty of Rome. Nor was Mr Delors the sole architect. He received invaluable assistance from Lord Cockfield, one of the two UK commissioners. But Mr Delors grasped a point which eluded many of his opponents, including former UK prime minister Margaret Thatcher, who saw the 1992 programme purely as an antidote to Europe's slow growth and its failure to create jobs.

Mr Delors understood that 1992 and its legislative counterpart, the single European act of 1986, were highly political. The act provided not only for the free circulation of capital, goods and services, but also people. Even more sensitive for sovereignty-conscious countries such as the UK, it provided for more majority voting, a weakening of the national veto, and an increase in the Commission's power.

Mr Delors was later to describe the 1986 act as his finest achievement: a slim treaty with plenty of muscle and no fat which laid the foundations for a united Europe. His experience with the follow-up Maastricht treaty on European Union in 1991 was a good deal less felicitous.

Maastricht's origins lie in the project to create an economic and monetary union in Europe, a goal first mooted in 1970 by Mr Pierre Werner, then Luxembourg prime minister, but which was derailed by the oil crisis of the 1970s and subsequent international monetary turmoil. Mr Delors believed in Emu for two reasons: it was the indispensable complement to a single market and it was the tool for breaking the monetary hegemony of the Bundesbank.

Mr Karl Otto Pöhl, former Bundesbank president, now says he regrets sitting on the Delors' committee which paved the way for the Maastricht treaty's timetable for Emu. But Mr Delors' preoccupation with "locking in" Germany's commitment to a single currency project by 1999 came at a price. Germany pressed for a new European political union to compensate for the loss of the D-Mark, and to ensure non-inflationary economic policies are kept permanently in place across the unified currency area.

The collapse of communism in eastern Europe, and the implosion of the Soviet Union made it all the more necessary to rethink the political organisation of Europe. But like many other western European leaders, Mr Delors believed that allowing the eastern Europeans into the European Community would undermine it. The subtext was that Germany too had to be "anchored" inside a reinforced EC.

The result was the Maastricht treaty which, despite its promise of "European Union", was a compromise which went to the heart of the ambiguities of postwar European history. In the end it was Britain and France which scuppered the dreams of a federal Europe, a testimony to the old great powers' nationalist tendencies.

Mr Delors saw Maastricht as an opportunity missed. In his words, "better a crisis than a bad compromise". The irony was that he came to be associated with a treaty which in many ways he despised, though this may have been a legacy of his high profile in the 1980s when he first earned the tag "Mr Europe", and made the ill-advised boast that in 10 years "80 per cent of economic legislation would come from the European Community".

Many figures would have crumpled under the onslaught against the Commission which characterised the Maastricht ratification process. The Danish "No" to Maastricht in the June 1992 referendum; the currency crises leading to the virtual collapse of the European exchange rate mechanism in August 1993; and a recession which pushed the number of people out of work in Europe to almost 20m – all these threatened to drive a stake into Mr Delors' ambitions.

For a while Mr Delors seemed to lose the initiative; but he recovered with his 1993 white paper on European employment, competitiveness and growth.

All European leaders, including Mr John Major of the UK, agree that the document – which supports more open trade and measures to lower the costs of hiring employees – is intellectually respectable; more interesting, perhaps, is the degree to which Mr Delors has edged towards the free market camp since he came to Brussels.

It is tempting to see Mr Delors' exit from Brussels as the end of a political era, especially after he elected not to run for the French presidency. President François Mitterrand of France and Chancellor Helmut Kohl of Germany, his two partners in the great leap forward in European integration, are also due to depart the stage, though Mr Kohl can stay on until the 1998 elections.

Yet Mr Delors would argue that Europe cannot depend only on personalities; it must rely on common interests. The test of the Delors legacy will be whether member states can fulfil the ambitious programme which he has set up, crucially the timetable for Emu. They must also find a way of organising a flexible Union of between 20 and 25 disparate members, including central and eastern Europe, the top priority for the 1996 inter-governmental conference to review Maastricht.

In the meantime, Mr Delors intends to argue his cause for closer political and economic integration energetically before the European public, perhaps through the creation of a committee to promote the cause. He can be sure of an audience.

Inside the House that Jacques Built, Charles Grant, published by Nicholas Brealey, £12.99

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Asian deficits unlikely to lead to Mexican-style debt crisis

From Dr Bejoy Das Gupta.

Sir, Gerard Baker's article, "Asian borrowers" (January 17), asserting that a "Mexican-style debt crisis" in east and south-east Asia "may be in the offing" due to rising yen-dominated official debt and a sharp yen-appreciation is alarmist and unfounded.

Current account deficits in Asia reflect primarily the high rates of domestic investment and not Mexican-style consumption. Domestic savings are in excess of 30 per cent of gross domestic product in these countries, but domestic investment amounts to around 40 per cent of gross domestic product. There are no overwhelming short-term pressures on the balance of payments which continue to be supported by strong growth in exports and rising equity flows, coupled with borrowings from private and official sources of relatively long maturities. Huge flows of hot money to fund fiscal deficits are not typical to this region.

While it is true that yen-dominated debt rose sharply during the 1980s, the fast growing Asian economies are not likely to sacrifice their market credibility by seeking to reschedule their external debt. Given their credit worthiness, they may seek fresh funds to retire some of the yen debt. Alternatively, they may take the view that a yen depreciation is in store in the near future, and sit out the short-term rise in debt servicing. After all, it was not so long ago when the mighty dollar achieved near parity with the sterling, only to reverse itself over the next few years.

Countries in Asia have enjoyed unprecedented growth over several decades because of a commitment to macroeconomic stability, productive private investment, desirable public investment in institutions and people, and the regional demonstration effect. They are likely to adhere to these policies in the future. Mexico-traumatised financial markets would do well to focus on the fundamentals.

Bejoy Das Gupta,
4700, Connecticut Avenue, NW,
Washington DC, 20008, US

A high cost

From Ms Jane Campbell.

Sir, Thank you for Richard Mowbray and Michael Turner's letter (January 18).

I was beginning to think those in my household were the sole Scots whose thoughts on devolution were similar to theirs. Two questions need to be brought to the forefront of the argument and answered by the chattering classes *et al*:

1. What will it cost?
2. What will it achieve?

I fear the true answers would be at opposite ends of any realistic measure.

Jane Campbell,
3 Herries Road,
Glasgow, G41 4DE,
Scotland, UK

Responsibility for debts

From Mr Alan Magnus.

Sir, Re your article, "Suppliers left holding the baby" (January 17), there is a simple solution to the question of parent companies taking responsibility for subsidiaries' debts based on the concept of "holding out".

The law should be changed to require a parent company to take responsibility, ie treated as guaranteeing its subsidiary, if it allows its subsidiary to trade using the relevant part of its name in the subsidiary's name. Thus parent companies could make a decision as to whether they are prepared to stand behind their subsidiary and it would be clear to creditors, customers and others whether or not the parent does so. One could then avoid much of the panoply of guarantees and complex agreements. The parent would remain liable for all its subsidiary's debts while the subsidiary trades under a name including the relevant part of the parent's name. Once the subsidiary changes its name so as not to be held out as part of the parent's group, creditors would know they are not so protected.

Alan Magnus,
D J Freeman,
1 Fetter Lane,
London EC4A 1BR, UK

Dangers of lobbying

From Mr Barrie Linley.

Sir, I am disturbed to read that Dame Angela Rumbold actively supports the view that an MP should be permitted to enjoy employment, and presumably remuneration, as a consultant to a lobbying agency ("Top Tory calls for MPs' code of conduct", January 19).

Although British, I have lived in the US for 16 years. It is my observation that a significant weakness of the US democratic system, and source of current US voter disenchantment, is that senators and congressmen are continually under the influence of lobby groups in Washington. Business associations and some leading corporations maintain offices in Washington to enhance their influence via lobby groups.

Our representatives, whether in Washington or London, are elected to represent their constituents. Lobby groups dilute the allegiances and ultimately corrode the heart of the democratic system.

Should the Nolan committee accede to the pressure from lobby groups and MPs seeking additional remuneration, British democracy will take a significant step down a very slippery slope leading away from impartial representation. Mr Major, do not let it happen.

Barrie D Linley,
president,
Britannic International Corporation,
2655 Le Jeune Road, Suite 806,
Coral Gables,
Fl 33134, US

Employer/employee funding of training better than central fund

From Mr Peter Ashby.

Sir, Andrew Graham is right to argue that the debate about training should now be linked into the debate about individual learning accounts ("How to get better trained workers", January 18). But it could be a mistake to restrict ourselves by old-style notions of "levy/rebate", as he suggests.

If we really believe that transferable skills represent one of our key skill shortages, as Graham rightly argues, why just say that employers should pay into employees' learning accounts as a means of avoiding a new training levy? Why not go one step further and say that all employers should be required by law to make a contribution towards their employees' learning accounts and forget about threatening to punish them with a levy to the government.

Let the money in their employees' accounts be seen as the levy; and a universal levy, with no exemptions.

This should have the greatest impact where it is needed most: on the vast numbers of small businesses with a poor training record (and which might end up just paying the levy and getting on with "business as usual", under a levy/rebate system). For them, an obligatory payment – set at, say, 1 per cent of an employee's salary – would be a tremendous catalyst for dialogue about how employees will spend the money in their account, and what sort of learning would best benefit the business.

Such an approach might also be linked to a requirement that employees themselves should first demonstrate their commitment to learning, by making a modest down payment of their own (set at a minimum of, say, £25). This would then trigger the obligation on the part of their employer to start contributing towards their account.

Both sides committed to joint funding of learning, through employees' learning accounts – that really could offer us a modern levy, without the awful bureaucratic apparatus of a centralised fund.

Peter Ashby,
principal consultant,
Full Employment UK,
24 Clifton Road,
London N8 8JA, UK

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Monday January 23 1995

The cost of Kobe

The response of the 1.5m inhabitants of Kobe to last week's earthquake was an impressive demonstration of the strengths of the Japanese social structure. Despite widespread shortages, queues for food and water were mostly orderly. Looting was minimal. Even the notorious *yakuza* gangsters, who traditionally play a minor role at street level in enforcing law and order, distributed supplies. In contrast, the authorities were slow off the mark. And in a country which sits at the junction of four of the world's 12 main tectonic plates, the admission by prime minister Mr Tomiichi Murayama that current legislation prevented the government from carrying out earthquake relief effectively was astonishing.

With a tally of nearly 5,000 dead, the present upheaval does not compare with the Great Kanto earthquake of 1923, which killed 240,000 and destroyed a tenth of the nation's tangible assets. The damage this time is mainly in the city of Kobe itself, where estimates of the replacement cost range from Y1½ trillion ($15bn) upwards. That would be a mere blip in a country with a gross domestic product of some Y470trillion ($4,700bn). But it ignores the wider cost that will stem from the governmental review of construction techniques in motorways, bridges and railways, which were thought quake-proof and have been found wanting.

In a paternalistic and highly regulated society, expectations of government on public safety run high. The Japanese are understandably disillusioned. Given that seismologists believe that another earthquake in the Tokyo area is imminent, the political pressure to overhaul defective infrastructure and buildings across the country will be immense. The fiscal response may thus be of greater global significance than appears at first sight.

Supply and demand

In economic terms a big earthquake delivers both a supply shock and a demand shock. The initial cost is in lost production and transport delays. Then comes a stimulus from the remedial fiscal package, since in Japan the costs fall mainly on the public sector. Corporate investment also rises as companies spend on new plant and machinery. Household savings will tend to fall, as people spend on new houses and possessions, unless the blow to confidence leads to an increase in precautionary saving. While unlikely, such a reaction cannot be ruled out. But the more plausible outcome, overall, is that the net impact will add to economic growth, while reducing the trade surplus. And since Japan's output is well below potential, there should be little upward pressure on short-term interest rates.

Increased investment

With increased investment and lower savings, the world's biggest creditor country will be exporting less capital. But in a bond market where net new issues of government IOUs are expected to run at Y19 trillion ($190bn) in 1995, a Y1½ trillion fiscal package would not make a notable difference to the global cost of capital. Y10 trillion-plus might be another matter. Until there is a clearer indication of the government's longer term response, all that can be said is that the potential pressure on global capital cannot be ignored.

In the past the economic response to earthquakes in Japan has often had profound consequences. After the 1923 earthquake the need to rebuild manufacturing capacity in Tokyo and Yokohama was perceived as an opportunity to shift the balance of the economy from light to heavy industry. A comparable positive outcome from Kobe might arise if the Japanese address the distortions in the construction industry that make it twice as expensive to rebuild a home in Japan as in the US. If that concern extended to the price of land itself, reform of the property market might deliver a substantial bonus to the Japanese people.

The more immediate priority is to address the seismic threat to Tokyo, where the National Land Agency estimates that a 1923-sized earthquake would destroy 35 per cent of all buildings in the Tokyo area while affecting millions more. The potential loss of life and the disruption to world trade and financial markets hardly bears thinking about. The one consolation is that seismological predictions are not infallible. But that is no excuse for more official inertia.

Northern Ireland waits

Efforts to sustain peace in Northern Ireland have reached a difficult point. Unionists are threatening to exploit Mr John Major's fragile parliamentary majority to dictate in advance the terms of a future political settlement. Five months after the IRA's ceasefire Sinn Fein has still to win conclusively the internal debate within the Republican movement over whether peace is preferable to violence.

Mr Major's handling of Northern Ireland deserves praise. He made it a priority of his premiership soon after he entered 10 Downing Street. He has taken significant risks without receiving commensurate credit. The atmosphere in the province has been transformed since the ceasefire. Mr Major's attitude to Sinn Fein and to the Protestant paramilitaries has been well-judged. Peace has proved its own best advertisement.

Now the prime minister must ensure the momentum does not falter. The unionists' decision to flex their political muscles at Westminster and the uncertain balance of power in the ranks of the IRA underline the risks of political immobility. Mr Major and Mr John Bruton, his Irish counterpart, need to entrench the popular mood in Northern Ireland against a return to violence.

The two prime ministers ought to produce soon the promised framework document for a comprehensive political settlement in the province. The document has been under discussion for nearly a year. Sir Patrick Mayhew, the Northern Ireland secretary, and Mr Dick Spring, the Irish foreign minister, will meet later this week in the hope of getting an agreed text early next month.

Balance

The document will not be uncontroversial. No effort to balance the legitimate veto on Irish unity held by the unionist majority in the North with the equally legitimate aspirations of nationalists could be anything but contentious. But unionists and nationalists alike must be persuaded that political compromise is a prerequisite for a permanent peace.

The main themes have already emerged. Plans for an assembly in Belfast will be set alongside proposals for a series of North-South boards with authority in such areas as transport and tourism. The Dublin government will pledge revision of its constitutional claim to the North. London will agree amendment of the 1920 Government of Ireland Act.

The Official Ulster Unionists (OUP) have objected strongly to the all-Ireland dimension represented by the proposal for cross-border organisations. At the weekend Mr James Molyneaux, the OUP leader, added his voice to those warning that the creation of such institutions would represent the establishment of "joint authority" over Northern Ireland.

Skilful

The hardening in his position is in part skilful political brinkmanship. It may also owe something to the jostling among his colleagues for the eventual succession to the 74-year-old Mr Molyneaux.

Either way the unionists displayed their parliamentary clout in last week's vote on EU fishing rights, extracting a pledge that marine fishing would be exempt from cross-border co-operation. Now Mr Molyneaux is hinting his party could withdraw permanently its support, leaving the government's fate in the hands of rebel Tory Eurosceptics.

Mr Major must take the warning seriously. Mr Molyneaux so far has been a constructive force for moderation in the Protestant community. His acquiescence if not his outright approval will be vital to progress in securing an eventual political settlement.

But no single party can be given an advance veto over a document designed to form a basis for discussion among the constitutional parties in Northern Ireland rather than as a blueprint for the province's future. The longer the document is delayed the more the unionists will use their parliamentary leverage to chip away at elements they dislike. The risk then will be of an approach wholly unacceptable to the peaceful nationalist minority.

Mr Major has pledged any eventual settlement will be subject to the consent of the people of Northern England in a referendum. The unionists should accept that powerful safeguard of their legitimate interests. Mr Major and Mr Bruton should press ahead.

Richard Lapper looks at the reasons behind an overwhelming demand for global equity issues

Spreading the world's wealth

Investment bankers who make their living helping businesses raise equity on international capital markets enjoyed a bumper year in 1994. Companies ranging from giants like Tele Danmark to minnows such as Societatea R, a Romanian publisher, raised more than $53bn (£34bn) in international share issues, according to Euromoney Bondware, the information group. That was five times more than in 1990 and nearly 40 per cent more than in 1993.

Difficult conditions in world equity markets and a marked decline in investor confidence in the emerging markets of Latin America and Asia, in the wake of Mexico's devaluation in December, may slow down growth this year. In the first few weeks of January a number of Latin American and Indian companies have put capital-raising plans on hold.

But in the longer-term the trend seems set to continue, as investment banks compete fiercely for mandates to do deals for companies such as Deutsche Telekom, the German telecommunications company, whose DM15bn (£6.2bn) capital-raising exercise – planned for early 1996 – looks to be one of the biggest international equity offerings.

Bankers compare the current growth of international equity issues with the development of the euromarkets for currencies and bonds in the 1960s, 1970s and 1980s. In the euromarkets, companies, governments and agencies raise funds or issue securities in currencies other than their own domestic currency. The eurobond market is now deeper and more liquid than most national debt markets.

"It is inevitable that the equity market will go the same way," says Mr John St John, director of equity capital markets at Kleinwort Benson, a UK bank whose current activities include advising Gazprom, the Russian gas concern, on its plans to raise more than $4bn in equity from foreign investors.

Several factors are fuelling the trend. First, institutional investors, especially in the US, have been increasingly won over by arguments that investments in overseas companies can help them increase returns. It can also reduce risk, by spreading investments across countries, different types of financial instrument and economic sectors.

In recent weeks, mutual fund investors have become more cautious about investing overseas, especially in the wake of Mexico's devaluation in December. This may slow down growth in the market this year: the flow of capital from mutual funds – which spearheaded the US drive into foreign equities over the last three years – to overseas equity markets has slowed to a trickle.

Even so, the flow of capital is unlikely to dry up completely. The managers of US pension funds, which increased their international holdings to 7.4 per cent of all assets by the end of 1993, up from 4.7 per cent the year before, take a longer-term view and are unlikely to shift gear as quickly as their colleagues in the mutual funds.

Some bankers expect US pension funds to raise their overseas investments to a possible 10 per cent of overall assets within the next two years. Mr Marcus Grubb, international equity strategist with Salomon Brothers, believes that in the longer term, growing interest in overseas equities among investors in continental Europe and Japan will offset any decline in interest from the US.

"There is a huge amount of investable liquidity which has been generated by growth since the second world war," says Mr Grubb. "The younger generation is much more interested in equities and less risk-averse."

Second, there are continuing improvements in communications which makes it easier for bankers and securities firms to market shares to investors in diverse national markets. Further improvements will make it cheaper to raise capital on international equity markets. The trend is also supported by the growing availability and use of derivatives – instruments that derive their value from that of an underlying asset or index. By initially buying derivatives, fund managers can take stakes in overseas markets more cheaply than by directly investing in them.

Third, there is no sign of any let-up in economic liberalisation. Few governments now impose exchange controls, which have restricted equity flows in the past.

Looser regulation of securities markets has also made share issues more practicable for many companies. In the US, the modification of securities laws has made it easier for companies to issue so-called "depositary receipts", certificates that trade as proxies for underlying shares, to institutional investors.

Depositary receipts, which can also be listed in London, Luxembourg and other markets, allow companies to issue shares even when their own equity markets are inefficient or do not exist at all. They became particularly popular in 1994 for companies from India, where local share settlement procedures are slow and cumbersome. Last year companies raised more than $20bn through issuing depositary receipts, an 81 per cent increase on 1993.

The Securities and Exchange Commission reduced the paperwork needed to issue depositary receipts in 1990, cutting the cost of tapping the US equity markets. The rule change was "very very critical", says Mr Ramon d'Oliveira, head of equity capital markets at J.P. Morgan, the US bank, in New York. In many countries, companies typically disclose far less information in their accounts than in the US and would need to overhaul their entire financial reporting procedures to meet tough US requirements for a full share listing. "It bridged the gap between the time when these companies needed capital and their ability to produce information for a full listing," says Mr d'Oliveira.

Even if there are currently question marks about the flow of capital into international equities, there can be little doubt that the demand for capital will continue to grow. The size of equity markets and the number of companies quoted has risen sharply in recent years.

One of the main reasons for this is that dozens of countries have begun to sell their nationalised industries and utilities. Privatisation has been widely adopted by governments in Europe and Latin America, increasing the number of companies listed on local stock markets and the amount of shares available for international investors. And last year saw a number of big Asian privatisations.

Mr Grubb points out that budgetary and debt pressures in Europe will continue to give impetus to the trend, even though many governments do not share the ideological zeal which informed British privatisation in the 1980s.

In addition, deregulation and liberalisation have fostered the strong growth of the private sector in many economies previously dominated by the public sector. Growing companies in regions such as Latin America are often unable to satisfy their capital requirements from local stock markets.

Bankers concede that business is likely to be tougher this year after the decline in investor confidence in the emerging markets of Latin America and Asia. Companies will have to compete harder for available capital, they say.

"It will be a more competitive market for the issuers and not all deals will get done," says Mr Charles Kirwan-Taylor, managing director corporate finance at BZW, the investment banking arm of Barclays in London. "Demand will be there less often and in less quantity. US pension fund managers will be worried about stepping on a landmine. They will do their homework more carefully."

The consensus among bankers, however, is that in the longer term the trend towards a global equity market will continue. Already in sectors such as telecommunications and utilities analysts are assessing the value of companies not against national market price earnings ratios or other valuation benchmarks but against their international competitors.

"In the long run," says McKinsey Global Institute, the management consultancy, in a recent study, "regulatory and information barriers to understanding equities across markets are . . . likely to be eroded, just as [they were] in the bond and foreign exchange markets."

"There are some pretty fundamental forces at work," says Mr St John. "In the long term, this is a trend which it will be difficult to push against."

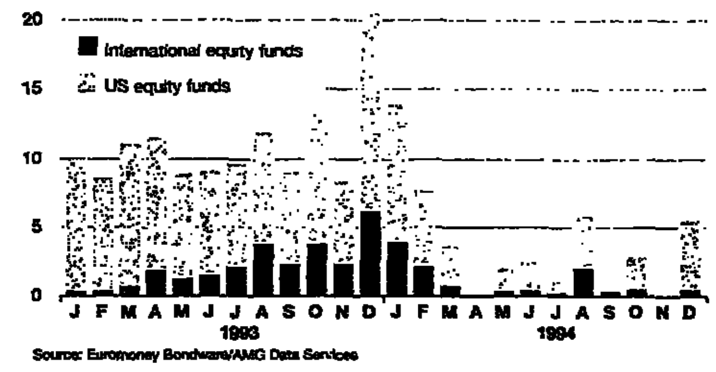
Money across borders: rise in global equity issues

Volume of international equity issues* ($bn)

	1990	1991	1992	1993	1994
Europe	5.81	7.16	6.71	13.1	30.3
Latin America	98.3m	3.95	3.96	6.06	3.64
Asia	1.74	781.7m	2.33	3.99	12.03
Total**	9.99	20.26	22.44	38.73	53.60

* Excludes funds and preference shares ** Includes North America and rest of world

Investment pattern of US equity mutual funds ($bn)



Source: Euromoney Bondware/AMG Data Services

The importance of basic research

PERSONAL VIEW

Scientists are by nature optimistic. It's necessary to believe that you *can* answer a question, that you *can* solve a problem. If you don't believe that, you won't even try. In relation to the future of British science, I partly share this optimism, but I am also pessimistic.

There are many outstanding scientists and a score of institutions that rank among the best in the world. But science is not held in high regard in society, and this is reflected in the poor level of financial support that science receives from the government.

Research funding is not increasing, and in some important areas it is decreasing. It is not keeping up with the level of support of other developed countries in the European Union and elsewhere.

The suppliers of the funds, primarily the government, are demanding closer control in the name of efficiency. Recently a plan has been initiated to involve industry in defining the area in which research, including basic research, will be done.

If scientists are to create the ideas that will generate the new technologies of the next century, they should be encouraged to have their own ideas, not continue with those that industry already has.

I recognise that some of the most important scientific insights have come from the solution of industrial problems. But there has to be scope to allow scientists to set their directions guided by their own curiosity – even though it is not seen as immediately valuable to industry.

I speak with some knowledge of the application of science from the results of basic research. My colleagues and I started with an inquisitiveness about why some people become ill and others do not, examining especially, genetic control. It resulted in the discovery of the hepatitis B virus, diagnostic techniques for its detection, and the vaccine now used extensively worldwide. This has led to the saving of many lives and has generated income exceeding $1bn for the companies that capitalised on the ideas.

If we had been assigned the task of finding hepatitis B virus, I don't think it would have happened as fast, if at all; it started from a question in basic science without a specific application in mind.

There are other causes for discouragement. Science is held in low esteem. Too few school students wish to do science; they know that society does not reward it well.

Further, there will be insufficient careers in science if the grants do not increase and if the money for research in academia is not increased. Unless there are encouraging changes in the near future, science could wither and disappear.

Unless there are encouraging changes in the near future, science could wither and disappear

Why has this come about? The answer in partly the fault of the scientists themselves.

Despite some positive images provided by the media and literature, the scientific community has not informed the public well about its goals, its motivation and, perhaps most important, its process. When I was at Oxford as a student in the 1950s, C.P. Snow's comments about the great divide between the "two cultures", science and the arts, were popular.

At the time, I thought they were exaggerated; I was living in a world of scientists and thought that communication with the arts world was pretty good. But my recent experience of working in Oxford has changed my views. In general there is a remarkable lack of understanding among non-scientists of what the scientific world is up to. This is particularly true in an educational system where specialisation starts early and which is parochial.

The leaders of society and government do not seem to regard their lack of scientific knowledge as detrimental. The perception, and fear, of creative arrogance is fostered in the literate mind by the unfortunate experiences of Victor Frankenstein and his scientifically inspired monster. Those who govern the nation are rarely scientists and, although counsel is available, the soil of officials' understanding has not been prepared by their education for the reception of scientific ideas.

Is it possible to alter the curriculum so that students reading non-science subjects receive a better science education, or devote a part of their education to science? Why not a four-year programme for some students, starting with physics, chemistry, zoology, maths or other science and then continuing to politics, economics or other subjects?

Science provides an exciting and rewarding life, and its practitioners deserve a larger share of the regard and rewards of society. The next millennium will favour nations that have invested in basic scientific research. They will possess the ideas from which new industry will emerge.

Baruch Blumberg

The author, an American scientist, was joint winner in 1976 of the Nobel Prize in Physiology or Medicine. He was master of Balliol College, Oxford, between 1989 and 1994.

OBSERVER

Ritt sets the pace

■ Ritt Bjerregaard, Denmark's new European Union commissioner, who recently said the EU's parliament is "not a real parliament", seems to have a taste for controversy. This time she has managed to invoke the irritation of her *own* government.

In Denmark, pensions for ex-ministers are suspended if the person again becomes a minister or obtains another job in government service; but there are no regulations covering former ministers who become EU commissioners.

There are precedents, however. The two former Danish ministers to become a commissioner, including the outgoing Henning Chrisophersen, have voluntarily waived their Danish pensions.

Mogens Lykketoft, a Social Democratic Party colleague of Bjerregaard and minister of finance, wrote to Bjerregaard two months ago, asking whether she intended following this honourable tradition. He's still waiting for a reply.

At the end of last week Bjerregaard said that she will let Lykketoft know her decision today, when the formalities of her EU appointment – which takes effect on Tuesday – are completed.

In response to Bjerregaard's shilly-shallying, Prime Minister Poul Nyrup-Rasmussen's inclination was to pass legislation to *force* Danish EU commissioners to give up their pension, which in Bjerregaard's case is worth DKr166,000 a year. But now he thinks that would be unconstitutional because to be of any use it would have to be retroactive, and that's not on.

So it looks like Ritt will manage to have a right good time anyway.

Brussels bound

■ Sir John Kerr, hot tip to succeed Sir Robin Renwick as UK ambassador in Washington, will be sorely missed in Brussels where he enjoys a reputation as a quick-witted, ruthless negotiator with a love of domestic political gossip and intrigue.

Among his fellow EU ambassadors in Brussels, his only peer is Pierre de Boissieu, the aloof, but equally amusing French permanent representative. As for Kerr's successors, Stephen Wall, 48, the UK ambassador in Lisbon, and Michael Jay, 48, director for European Community and Economic Affairs at the Foreign Office, are in the running, with the smart money backing Jay, the junior of the two.

Noble man

■ The Philippines is a poor country with more than its fair share of natural disasters and more used to receiving aid than handing it out. However President Fidel Ramos has responded to the Japanese earthquake in a statesmanlike way. He is donating his entire January salary of Pesos 25,000 (equivalent to around $1,000) to a relief fund set up by his government.

It is peanuts compared with the $1bn that the Philippines receives in development assistance from Japan each year. But it is a worthy gesture and a reminder of how modestly Ramos is remunerated for his efforts in sorting out the Filipino economy. By comparison Singapore's Prime Minister Goh Chok Tong earns S$96,000 ($66,000) a month.

Morgan spotter

■ Is J.P. Morgan really interested in the House of Warburg and its fund management arm, Mercury Asset Management? Once upon a time, J.P. Morgan would not think of flirting with one of Morgan Stanley's cast-offs. After all, they are both descended from John Pierpoint Morgan's stable.

However, it is 60 years since they split up and J.P. Morgan has a brand new chairman, Sandy Warner, keen to put his stamp on the bank. Warner, 48, was in London last week along with his predecessor, Dennis Weatherstone, and their presence helped fuel the feverish activity in Warburg and MAM shares.

It may all be a false alarm. It seems the occasion – Wednesday's goodbye dinner for Weatherstone – was set up months ago. Then again, Eddie George, the Governor of the Bank of England, was in the party, as was Warburg's Sir David Scholey.

Badly listing

■ The world of chain letters has taken a feminist slant. A colleague has received a letter which claims to derive from a "woman like yourself in the hopes of bringing relief to other tired and discontented women". It instructs recipients to send a copy to five friends, adding: "Then bundle up your husband or boyfriend, send him to the woman whose name appears at the top of the list, and add your name to the bottom."

It promises that "when your name comes to the top of the list... you will receive 16,877 men and one of them is bound to be a hell of a lot better than the one you already have".

Love and money

■ The pop song has it that "girls just wanna have fun". Good job none of you actually takes pop music seriously. A survey by the US's largest shopping mall shows that 52.4 per cent of women and 48.3 per cent of men would like a 10 per cent salary increase rather than 10 per cent more fun. But maybe they believe that more money means more fun anyway?

The Financial Times

100 years ago

Argentine President resigns
President Saenz Pena today sent his resignation to Congress, which thereupon proclaimed Senor Uriburu, actually Vice-President, as his successor.

Dr Saenz Pena declares that he feels constrained to take this step in view of the general amnesty advocated by Congress and which he regards as a veritable stimulus to military anarchy and a discredit to the nation.

The Greek government tendered their resignation to the King this afternoon. The announcement of the Premier's action caused a panic on the Bourse. It is believed that a colourless Cabinet will be formed with a view to a dissolution of the Chamber.

50 years ago

Move to end false markets
Following incidents arising out of the non-synchronisation of publication of final dividend statements and profit figures, the [London] Stock Exchange has... tightened up its rules regarding the disclosure of information so as to prevent the creation of false markets.

FINANCIAL TIMES
Monday January 23 1995

Factions manoeuvre in China as Deng era fades

By Tony Walker in Beijing

In the days before this month's spring festival holiday, life in Beijing appears to be proceeding normally. But an old man is dying, and beneath the cold winter surface there is uncertainty and a palpable sense of the end of an era.

As the health of senior leader Deng Xiaoping declines, anxiety about the future builds. China is at pains to emphasise that order prevails, and so it does – outwardly.

But behind the scenes, factions manoeuvre, forging flimsy alliances, making deals, wooing powerful military figures in an attempt to shore up positions. In spite of much preparation for the post-Deng regime, the "mandate of heaven" will not pass easily to China's new rulers.

As the watershed approaches between Deng's generation of revolutionaries, whose claims to power were forged in battle, and their successor apparatchiks, who have made their way through a party and bureaucratic minefield, China finds itself in a kind of limbo.

This uncertainty transmits itself to surrounding areas. Rumours about Deng's failing health – he has Parkinson's disease and other degenerative ailments – spread like ripples across Asia and beyond, unnerving markets and sowing doubts about China's stability. Last week was no exception, with another spate of reports about Deng's condition adding to nervousness among investors in places such as Hong Kong, Taiwan and Singapore.

It is clear China's patriarch is now too infirm to provide even the flicker of energy required to advance reforms or mediate between competing groups. This is an important role for any leader in China where often bitter factional struggles are played out behind closed doors.

In an interview earlier this month with the New York Times, Deng Rong, Deng Xiaoping's youngest daughter, gave the clearest sign yet that her father's health, as suspected, has deteriorated markedly in recent months.

"His health declines day by day. People have to understand that at this point he's 90 years old, an old man. And someday there will be a day when he passes away," Ms Deng said.

She added that her father could not walk without two people supporting him, but that he refused to use a wheelchair since he felt that after sitting in one he would not be able to "get up again".

In China, while a leader of Deng's stature still breathes his influence persists, wielded through family and close associates. Mao Zedong may have been mentally unstable in his last years, but he remained the dominant figure in China, albeit an erratic one, until his death in 1976.

Likewise, Deng's health may have deteriorated to the point where he is barely conscious of what is going on around him, but while he survives his successors will be extremely reluctant to assert themselves.

The leadership is going through the motions, mouthing politically correct Dengist slogans of "reform and opening", while eschewing adventurous policy-making. The slowdown in state enterprise reform is a case in point of a timid leadership seeking to avoid conflict and controversy at this time.

China's ultra-cautious approach to the Gatt discussions where its market access offers fell well short of the minimum expected by its trading partners is another example of timidity at present; no Chinese leader wants to risk offending powerful interest groups in these uncertain times with everything to play for in the post-Deng era and much to lose in the meantime.

China's drift is set to continue as the shadows lengthen on Deng's fading life.

See Lex

Britain's cabinet unites to urge back rebel MPs

By Kevin Brown, Political Correspondent, in London

The UK cabinet's pro and anti European factions joined hands yesterday to call for a rapid end to the Conservative government's dispute with nine rebel backbenchers excluded from its parliamentary party.

Amid signals that Mr John Major, prime minister, will take up many of the rebels' concerns at the European Union's intergovernmental conference in 1996, Mr Kenneth Clarke, chancellor of the exchequer, said there was "no sensible reason" for the revolt to continue.

In conciliatory comments that contrasted sharply with earlier demands for a display of loyalty, Mr Clarke said his views on Europe were "indistinguishable" from Mr Major's, and assured the rebels the party could accommodate their views.

Mr Michael Portillo, the Eurosceptic employment secretary, looked to assure the rebels by saying that Mr Major had laid the groundwork for reconciliation by pledging to block further EU integration and ruling out economic union in 1997.

"There is nothing that the prime minister has said about his approach over the coming years with which these people could disagree. The prime minister has set out a programme on which these people could be content," he said on BBC radio.

Eight of the rebels were suspended from the parliamentary party in November after defying the government in a vote on UK contributions to the EU. The ninth resigned voluntarily. Their exclusion has left the government in a technical minority of five in the Commons. However, the support of nine Unionist MPs from Ulster has enabled the government to win most votes.

Downing Street increased the pressure on the rebels to return to the fold by letting it be known that the cabinet's overseas policy committee will begin discussing reform of the EU this week.

Mr Major is said to want progress at the intergovernmental conference in areas including reform of agricultural and fishing policies, revisions to the qualified majority voting system, and scrutiny of the budget.

The appeal to the rebels coincides with increasing tensions over the Northern Ireland peace process between the government and Ulster Unionist MPs, putting the government's wafer thin parliamentary majority at risk.

However, rebel MPs said they remained doubtful about the government's commitment to reversing the transfer of UK sovereignty to Brussels and resisting economic and monetary union.

Government pressed to curb all-Ireland idea, Page 6; The Europe that Jacques built, Page 12

Half of UK companies 'fail' corporate governance code

By William Lewis in London

More than half of Britain's leading public companies failed to comply fully with the City of London's corporate governance code in its first year of operation, a study has found.

PIRC, an investment consultancy advising fund managers with more than £50bn ($80m) under management, found that out of 190 companies it studied, 100 had not complied fully with the Cadbury Committee's Code of Best Practice.

The Cadbury report was published in December 1992 following an 18-month investigation into corporate governance. It recommended that listed companies should state in their annual reports for financial years ending after June 30 1993 whether they complied with the code.

PIRC names the five "worst offenders", which failed to implement at least four of six crucial corporate reforms suggested under the code. The companies covered were 190 of the biggest 250 by market capitalisation.

Associated British Foods, the food manufacturer, and Wm Morrison, the supermarket group, failed five corporate governance tests. For example, PIRC says both failed adequately to split up boardroom executive responsibilities, did not have enough independent non-executive directors and had not set up audit and remuneration committees in the required way.

The report pinpoints another three companies which had not complied with Cadbury in four out of the six main areas – Britannic Assurance, the life assurance company, British Land, the property company, and Scottish & Newcastle, the brewer.

Ms Anne Simpson, joint managing director of PIRC, said the report showed a small number of companies had "gone further" than Cadbury suggested, especially in the information provided to shareholders on boardroom remuneration.

The study is based on details provided by companies to shareholders before annual meetings between September 1993 and September 1994. It ignores corporate governance changes made by companies since then.

The two most common ways in which companies fail to comply with the code are either lack of properly established audit committees and inadequate numbers of independent non-executive directors on company boards.

A Corporate Governance Health Check; £295; Crusader House, 145-157 St John St, London, EC1V 4QJ

Berlusconi signals truce

Continued from Page 1

ment], that relationship of confidence has deteriorated dangerously," Mr Berlusconi said on Saturday.

Mr Dini will propose a limited government programme today: improving public finances; reforming the state pension system; introducing new regional electoral laws; and beginning reform of the Italian media. He is also expected to give a firm signal of the government's will to proceed with privatisation. On Saturday, Mr Antonio Fazio, governor of the Bank of Italy, urged a "common effort" to tackle Italy's public finances.

If deputies from Forza Italia and its allies vote against Mr Dini on Wednesday, the outcome could hinge on the position of the Northern League, split between anti- and pro-Berlusconi factions. Reconstituted Communism, the far-left opposition party, agreed last night to oppose the Dini government.

THE LEX COLUMN

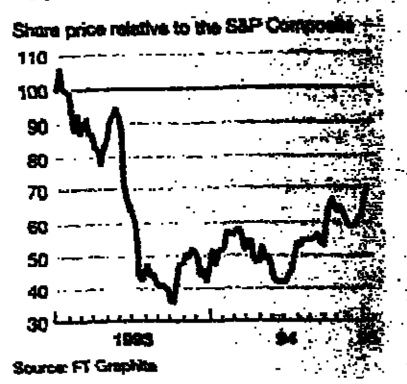
Eyeing up Apple

Apple is being swept up in bid fever. In the latest version, software group Oracle is being touted as a bidder. Last autumn, speculation focused on IBM. Even last week's good set of results did nothing to stem the rumours. Though Apple's immediate future is rosy, the prognosis thereafter is gloomy.

Apple is currently being buoyed by new products, which enjoy fat margins, and determined cost control. The longer-term doubts centre on whether the personal computer pioneer can avoid being squeezed out of the market by Microsoft. Microsoft's Windows is installed on nearly five times as many PCs as Apple's rival Macintosh standard, so software developers find it more profitable to write applications to run with it and users have a choice of 12 times as many programs. Macintosh may still be technically superior, but with the latest version of Windows due later this year and Apple cutting research and development, the gap seems set to narrow.

Hence the takeover rumours. When IBM was in the frame, the idea was that if it made PCs to the Macintosh standard, the Windows stranglehold could be broken. The snag is that IBM seems incapable of deciding which of a series of conflicting PC standards to back. More entrepreneurial Oracle may be a better bet. The speculation is that it wants the rights to the Macintosh standard, which it would license to as many PC manufacturers as possible, but would find a buyer for Apple's manufacturing arm. That looks clever. The only question is whether anybody would pay billions of dollars for a manufacturing operation about to face competition from dozens of clones.

Apple Computer



Source: FT Graphite

Hong Kong

Chinese patriarch Deng Xiaoping still exerts considerable influence for a man with no official posts. The first official admission of his fast-deteriorating health was met with an immediate 2 per cent drop in the Hong Kong market, followed by further sharp declines at the end of last week. With its strong retail investor base, and history of volatility, it is hardly surprising that the Hong Kong market should react in this way to the prospect of far-reaching change in China. Nevertheless, on a fundamental analysis, the fears are exaggerated.

Deng's market reform programme has been established for 16 years and has benefited the majority of China's 1.2bn inhabitants. For investors, the main concern must be the strength of that programme. Given that opposition now focuses on the pace rather than the direction of change, the reforms look firmly entrenched.

Politically, the succession is also well-established. The release of the official health warning suggests Jiang Zemin and Li Peng are confident they will retain control. Neither has secured the military's loyalty, suggesting some risk. But there are few signs of pretenders on the sidelines.

Still, fears over Deng's death come at a time when the Hong Kong market is already jumpy. Shares have recently been hit by rising interest rates and falling property prices, both of which have knocked back earnings forecasts. Mexico's problems, which have unnerved US investors in emerging markets, have hardly helped. Further declines are likely when Deng dies, if only as a knee-jerk reaction.

German shopping

The *Ladenschlussgesetz* holds pernicious sway over the German retail sector. It is a law, dating back to the 1930s, which fixes shop-opening times for most shops. Its abolition is back on the agenda. The government is to be congratulated for raising the issue, long a political hot potato.

The law forbids shops to open late on any weekday other than Thursday and prevents them opening more than one Saturday afternoon a month, except in the run-up to Christmas. This not merely inconveniences consumers, who have to suffer overcrowded shops on Saturday mornings, among other indignities. It also leads to complacency on the part of retailers, which arguably infects the whole service sector.

Scrapping the law would delight shoppers and benefit the German economy at both the macro and micro level. Higher levels of service would contribute directly to economic growth. Jobs would be lost at inefficient stores driven out of business by new competition, but more part-time ones would be created as the fitter stores took on staff to cope with more flexible opening hours. Corporate earnings would benefit as companies' assets were used more intensively.

The problem is that there are powerful vested interests in favour of maintaining the status quo. The government's failure last year to abolish the *Rabattgesetz*, which regulates discounts and price incentives, is an ill omen; it indicates the strength of the opposition to change from unions and small shopkeepers. But liberalisation of shop-opening hours is long overdue.

Stripped gilts

The gilt market is poised for change. Not only is an "open repo" market expected this year; the obvious conclusion from the structure of this week's gilts auction is that the Bank of England is paving the way for "gilt strips", under which a bond's interest and principal payments are separated. Launching long-dated gilts while the Bank suggests inflationary expectations are overdone seems strange enough. Giving those gilts the same maturity dates as two recent issues looks stranger. However, it can all be explained as a means of building a stock of gilts with identical interest payment dates. This is vital to the creation of a liquid gilt strips market.

Introducing strips would continue the process of modernising the UK's antiquated government bond market. Investors should find the ability to match specific liabilities appealing; they would be able to buy an instrument that produces cash-flow precisely when they need it. The value to investors of gilts that can be stripped should exceed those that cannot, so shaving a few basis points off the government's funding costs.

There is a catch. International investors are unlikely to play ball if they have to fiddle with tax returns. The way round this would be for interest to be paid gross of tax. The Inland Revenue would lose out through delayed receipt of tax from UK taxpayers, but this would be counterbalanced by the government's lower funding costs. Though government borrowing is declining, a modern gilts market is worth creating.

FT WEATHER GUIDE

Europe today

A depression between Scotland and Norway will bring cool and unstable air to Europe. Western and north-western parts of Ireland and Great Britain will have wintry showers, some of them with thunder. Eastern England will have occasional cloud breaks.

A small depression will flow north-eastwards over the Baltic Sea, bringing heavy snow to Estonia, Latvia, Lithuania, western Russia and Finland. The snow will combine with strong to near gale southerly winds, creating very cold conditions. Central France will have heavy rainfall as a front moves slowly eastwards. Tranquil conditions, with sunny spells, will persist over most of the Mediterranean and in the Balkans.

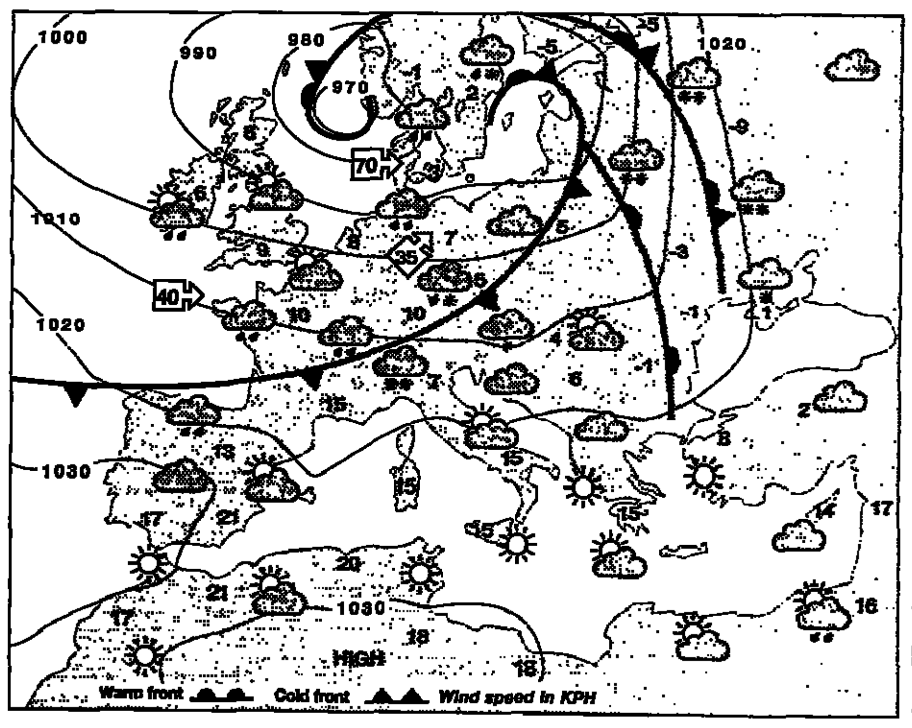
Five-day forecast

Tuesday will be unsettled in most of Europe. Western France, Ireland and Great Britain will have lessening winds and clearing skies, followed by a fresh depression which will enter Europe on Wednesday.

Heavy rain may be expected in the northern half of France and in Belgium.

The depression is expected to reach the North Sea on Thursday, drawing Arctic air from the north into western Europe.

South-eastern Europe will be mild.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Celsius															
			Beijing	fair	2	Caracas	fair	30	Faro	fair	17	Madrid	cloudy	13	Rangoon	sun	31
			Belfast	shower	5	Cardiff	cloudy	8	Frankfurt	rain	10	Majorca	sun	17	Reykjavik	fair	1
Abu Dhabi	fair	23	Belgrade	fair	6	Casablanca	sun	17	Geneva	rain	11	Malta	sun	17	Rio	cloudy	29
Accra	fair	32	Berlin	fair	7	Chicago	fair	-4	Gibraltar	sun	18	Manchester	shower	7	Rome	sun	15
Algiers	sun	20	Bermuda	fair	20	Cologne	cloudy	10	Glasgow	cloudy	6	Manila	fair	30	S. Frsco	rain	12
Amsterdam	shower	8	Bogota	fair	20	Dakar	fair	24	Hamburg	rain	6	Melbourne	fair	29	Seoul	fair	2
Athens	sun	15	Bombay	sun	32	Dallas	sun	14	Helsinki	snow	-5	Mexico City	fair	23	Singapore	thund	31
Atlanta	snow	3	Brussels	shower	9	Delhi	sun	22	Hong Kong	cloudy	20	Miami	fair	25	Stockholm	sleet	2
B. Aires	fair	31	Budapest	fair	4	Dubai	fair	24	Honolulu	fair	27	Milan	fair	7	Strasbourg	rain	11
B.ham	shower	8	C.hagen	rain	3	Dublin	cloudy	8	Istanbul	sun	9	Montreal	snow	-6	Sydney	shower	23
Bangkok	fair	33	Cairo	cloudy	16	Dubrovnik	fair	14	Jakarta	shower	30	Moscow	cloudy	-9	Tangier	sun	17
Barcelona	fair	16	Cape Town	fair	26	Edinburgh	cloudy	6	Jersey	shower	10	Munich	rain	11	Tel Aviv	fair	18
									Karachi	sun	27	Nairobi	fair	27	Tokyo	fair	13
									Kuwait	sun	17	Naples	sun	15	Toronto	snow	-4
									L. Angeles	rain	17	Nassau	shower	25	Vancouver	fair	7
									Las Palmas	sun	20	New York	shower	3	Venice	fair	8
									Lima	cloudy	28	Nice	fair	15	Vienna	fair	6
									Lisbon	cloudy	17	Nicosia	cloudy	13	Warsaw	sleet	5
									London	fair	9	Oslo	snow	-1	Washington	shower	5
									Lux.bourg	rain	8	Paris	shower	10	Wellington	rain	21
									Lyon	rain	13	Perth	fair	29	Winnipeg	fair	-13
									Madeira	fair	18	Prague	cloudy	6	Zurich	rain	11

FINANCIAL TIMES
COMPANIES & MARKETS

Monday January 23 1995

MARKETS
THIS WEEK

GERARD BAKER:
GLOBAL INVESTOR
It must sometimes seem to the Japanese that they are condemned *to prove again and again their* remarkable capacity for resurrection. This century, the country has been brought to the point of destruction, yet each time the Japanese spirit has produced a revival that has *deserved to be called "miraculous"*. **Page 18**

MARTIN WOLF:
ECONOMIC EYE
Foolish people seem to be drawing two conclusions from the collapse of the Mexican peso first, that *another debt crisis* is at hand; second, that the "neo-liberalism" of the 1980s and early 1990s was a mistake. They are badly mistaken.
Page 18

BONDS:
US Treasury issues took a battering in the US credit markets at the end of last week amid a barrage of economic data suggesting that inflationary pressures were still running strong. **Page 20**

EQUITIES:
London – This week will present the stock market with a serious test of its confidence in the recovery in the domestic economy. New York – Sirens singing songs about steady monetary policy lured many investors on to the rocks last week. **Page 19**

EMERGING MARKETS:
Asia-hands were never inclined to believe the domino theory under which the collapse of confidence in Mexico was supposed to undermine Asian emerging markets too. **Page 19**

CURRENCIES:
The dollar's recent weakness, felt most keenly against the D-mark, is expected to continue until investors are convinced that US interest rates will be raised by an adequate amount. **Page 19**

COMMODITIES:
London's commodity traders will return from the weekend break today eager to see whether their markets can live up to the promise exhibited at the end of last week. **Page 18**

UK COMPANIES:
Northern Electric is today expected to launch its defence to the hostile £1.2bn bid from Trafalgar House as the campaign intensifies to have the offer referred to the Monopolies and Mergers Commission. **Page 16**

INTERNATIONAL COMPANIES:
Italy's takeover authority has cleared the way for Credito Italiano, the Italian bank, to launch an increased L3,770bn ($2.37bn) offer for Credito Romagnolo (Rolo) of Bologna, without fear of being outbid by a rival consortium. **Page 17**

STATISTICS

Viacom to sell cable TV systems

$2.3bn deal to take advantage of ethnic minority tax breaks may be hampered by congressional review

By Richard Tomkins in New York

Viacom, the US entertainment and media group, has signed a $2.3bn deal to sell its cable television systems to an investment group led by a black businessman which includes Tele-Communications Inc, the biggest US cable operator, as one of its partners.

However, the deal may be hampered by the announcement last week by Congress of an investigation into the special tax breaks that Viacom expects to obtain by selling its cable business to a company headed by a member of a racial minority.

Viacom announced on Friday night that its cable systems in Seattle-Tacoma, Northern California, Salem and Dayton would be purchased by RCS Pacific, and its system in Nashville would be bought by RCS Nashville.

Both RCS groupings are partnerships comprising Mitgo, a company wholly owned by black entrepreneur Mr Frank Washington, and InterMedia Partners, a partnership that includes a subsidiary of TCI. Mitgo, controls the partnerships holding 21 per cent of each, with InterMedia owning the balance.

Viacom had been discussing a possible sale of its cable systems to the partnership for some time, but the talks gained fresh impetus in December when TCI won federal government approval for a $1.3bn cable television acquisition in Virginia. That ruling was taken as an indication that the regulatory authorities were prepared to allow cable companies to expand in adjoining markets.

Viacom's exit from the cable television business follows a decision by the company to concentrate on making and selling television programmes and movies, rather than trying to build up a bigger cable network.

The disposal will also help Viacom pay off some of the debts from last year's two big acquisitions: the $10bn takeover of Paramount Communications, the movie studio, and its $8.4bn takeover of Blockbuster Entertainment, the video retailer.

Viacom said the $2.3bn sale price would be settled in cash. The transaction is expected to be completed in the second half of this year, but is subject to approvals from the local franchise authorities and receipt of a tax certificate from the Federal Communications Commission.

If obtained, the tax certificate would allow Viacom to defer tax liabilities from its profits on the sale if it reinvested the proceeds in another media acquisition within the next two years.

US tax rules grant this deferral as part of a policy to encourage the sale of media businesses to racial minorities. But last week Representative Bill Archer, the Republican chairman of the House Ways and Means Committee, said his panel would begin a review of the policy this month.

Critics say the tax breaks have been abused by groups that bring in minority figureheads to make purchases, only for them to disappear later. But the policy has been strongly defended by Mitgo's Mr Washington, who was himself responsible for devising it while an official in the Carter administration.

Andrew Baxter reports on the transformation of the German lighting producer

Osram switches gaze to far-flung markets

Two years after a big US acquisition that put it into the world's top three lighting producers, Munich-based *Osram, one of the industry's best-*known brand names, is getting switched on to new markets.

The wholly owned unit of Siemens sees big growth opportunities in south-east Asia and east*ern Europe. It needs to expand in* both regions if it is to preserve its new position as the world's second biggest lighting producer, says Dr Wolf-Dieter Bopst, management board chairman.

Lighting up these territories would mark a further stage in the development of a company that 30 years ago had 80 per cent of its sales in Germany. Now 85 per cent of turnover comes from *outside Osram's home market* and fewer than 8,000 of its 26,500 employees are German-based.

Change came gradually until February 1993, when Osram bought the Sylvania North American lighting operations from GTE of the US. Sylvania's international operations were sold separately.

The deal is the main reason why Osram's turnover nearly doubled from DM2.99bn in 1992-93 to DM5.44bn (£2.27bn) last year – underlying growth was a more modest 6 per cent.

Previously, Osram's US presence was very small, says Dr Bopst. "It was a niche business, and so long as GE did not enter that part of the market, we had a good position. Once they did, we had to do something." General Electric and Philips of the Netherlands are the other two *global producers.*

But the purchase presented big challenges for Osram. Sylvania was not profitable at the time and Osram has restructured it with a gusto rarely seen within *Siemens, or other large German* groups.

Working with the existing Sylvania management, which had cut 2,000 jobs in the run-up to the takeover, Osram closed six Syl*vania factories in the US and* shut five loss-making businesses, reducing the workforce by a further 1,800. More recently employment has risen by 200-400 because of better market conditions.

The *restructuring* at Sylvania was vital if Osram was to maintain its own profitability. The takeover was also risky, Dr Bopst admits, given that 1993-94 was a difficult period for the company. "We still had a recession in Germany, our biggest single market, and in Japan, where we have a joint venture with Mitsubishi."

On top of that, worldwide selling prices fell by 4 per cent. GE's presence in the European market is increasing price pressures, he says, and prices in the EU are converging at lower levels.

Consequently, restructuring was necessary in Europe too. Four plants were closed – two in the UK and one each in Spain and Germany, and a UK components business owned jointly with Thorn EMI was sold.

Along with ongoing measures to increase productivity, this *enabled Osram to maintain its* return on sales at 5.4 per cent last year, giving pre-tax profits – disclosed for the first time – of DM291m. In real terms, labour productivity rose by 14 per cent, *according to Dr Bopst.*

Although Sylvania has required heavy restructuring, the timing of the purchase – just as the US market began to recover – underlined the importance of a *more balanced global presence* for Osram, and a reduced exposure to Europe.

He points to various other benefits. Osram already claims market leadership in the more innovative, *faster growing sectors of* the lighting business such as compact fluorescent lights, metal halide and halogen lamps. The takeover has boosted research and development spending from DM100m to DM250m, strengthening the company's position.

The deal also shifted the emphasis in Osram's product range. It has lifted annual sales in vehicle lighting to DM900m, making Osram the world's biggest maker of vehicle lamps. That could be an important factor as Osram uses its bigger global presence to tap developing markets for lighting.

Asia, in particular, will be a crucial battleground for lighting manufacturers – just as it is for western automotive producers. Dr Bopst believes Osram's presence in the region is less developed than that of Philips, but about the same as that of GE.

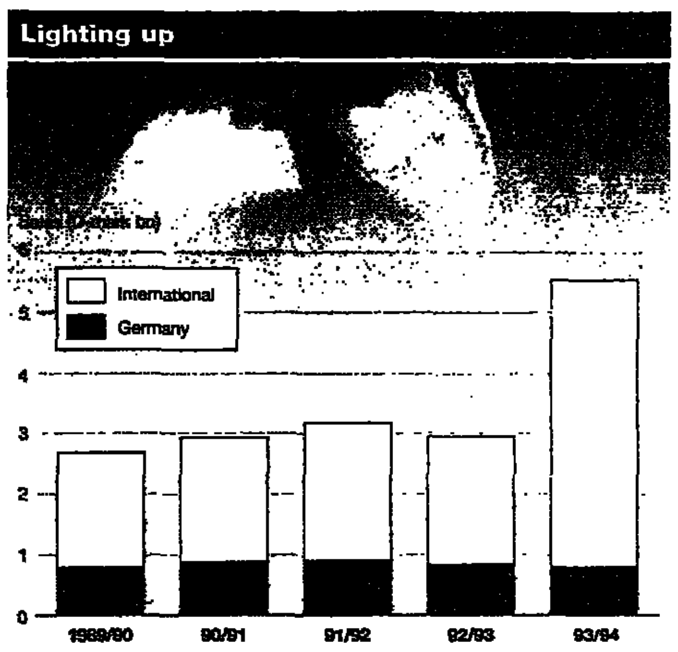
The most significant move so far for Osram was the signing of a joint venture agreement in China. Osram Fosham Lighting, 55 per cent owned by the German company, is due to have a new factory open in Guandong province by the middle of this year.

The Osram chief believes Chinese sales could rise annually by up to 20 per cent and says a second factory is a possibility. Osram's long-term goal is for 15-20 per cent of the Chinese lighting market.

Osram's sales in the Far East rose 8 per cent last year to DM340m, dwarfing the DM60m sales in eastern Europe. Here too, Dr Bopst sees good growth prospects. This month, a sales office in Moscow was opened, adding to those in Prague, Budapest and Warsaw. But the immediate priority is the establishment of a factory in eastern Europe.

Setting up such a plant, which would either be a joint venture or a greenfield site, would be partly a defensive move. Both its rivals have plants in eastern Europe, and Osram would use the factory to make lamps with a high labour content but low production volumes, which cannot be produced economically in western Europe. But it could also become a springboard for expanding sales in the region.

Lighting up



Source: Company

Carmakers consider rugged luxury

By Kevin Done, Motor Industry Correspondent

The luxury car divisions of four of the world's biggest vehicle makers, General Motors, Ford, Toyota and Nissan have launched studies into the development of luxury off-road vehicles, threatening the dominance of the sector by Land Rover of the UK.

Ford is studying such a vehicle for sale under either its Jaguar or Lincoln brand names, while General Motors is investigating the expansion of its Cadillac range. Toyota and Nissan are examining the potential of building luxury sport/utility vehicles for sale under their Lexus and Infiniti brand names.

Land Rover, the *leading* European producer of four-wheel drive sport/utility vehicles, was one of the chief attractions for BMW, the German carmaker, when it bought Rover Group, *allowing it to abandon the costly* development of an off-road vehicle.

Leading carmakers are being forced to consider the development of luxury sport/utility *vehicles by the rapid growth of* the so-called light truck market in North America, to which many traditional luxury car owners are switching. This market includes pickups and mini*vans, as well as four-wheel-drive* sports/utility vehicles.

Mercedes-Benz, the most prestigious European luxury car maker, has already chosen this market segment for the develop*ment of its first passenger* vehicle factory in the US.

The Mercedes-Benz off-road vehicle will be built at a new $300m plant under construction at Tuscaloosa, Alabama. It will be launched in the autumn of 1997 with an annual production capacity of 60,000-70,000, of which more than half will be exported.

Light truck sales in the US rose by 13 per cent last year to reach a record 6.1m and accounted for 40 per cent of the total US passenger vehicle market. New car sales increased by only 5.6 per cent to 8.99m and demand was mostly flat in the luxury car market.

Jaguar said confirmed last night that it was taking part in Ford's study of a luxury off-road vehicle, but said that such a vehicle was unlikely to be ready for production before the end of the 1990s.

This week: Company news

US COMPANIES

Market still wary of IBM despite earnings rebound

The US reporting season continues in full swing this week, with full-year figures expected from six of the 10 biggest US companies by market value.

TODAY: A busy week for the pharmaceuticals giants should be kicked off by the biggest of them all, **Merck** (all dates are approximate, US companies being unpredictable in this respect). Estimates cluster around $0.62 per share for the final quarter, a rise of 11 per cent. Also today comes **IBM**, where the sharp rebound in earnings is expected to continue into the fourth quarter, with earnings per share roughly tripled at $1.75. For the full year this would give more than $4.50, compared with a previous year loss. The market will be alert to any hint of *future trading*, especially given the recent departure of some top IBM executives.

Other results include **American Express, Atlantic Richfield** and the regional telephone companies **Bell Atlantic** and **BellSouth**.

TOMORROW: The long-distance telephone giant **AT&T** seems to be stealing a march on its smaller long-distance rivals such as **MCI**, which reports on Wednesday. Expected fourth quarter earnings of $0.86 per share would be up a remarkable 72 per cents on the year before, giving full year earnings up 31 per cent at $3.15. Contrast the same-day figures from the New York regional phone company **Nynex**, where earnings may be up 10 per cent at best.

The day also brings a clutch of big pharmaceutical companies: **Johnson & Johnson, Warner-Lambert** and **American Home Products**.

WEDNESDAY: A heavy day, the two biggest companies being **Philip Morris** and **DuPont**. A strong quarter is expected from the former, with earnings up some 30 per cent at $1.26 a share. DuPont's quarterly earnings could well double as the upswing in the chemicals cycle continues. Rival **Union Carbide**, also on Wednesday, could be up more sharply again.

Other results include **Boeing, Minnesota Mining and Manufacturing,** *the personal computer maker* **Compaq**, phone company **MCI, Bethlehem Steel** and the paper companies **Georgia Pacific, Scott Paper** and **James River**.

THURSDAY: Another heavy day, led off by **Coca-Cola**. Remorseless growth in earnings is likely to continue, based on the company's success in penetrating ever more international markets.

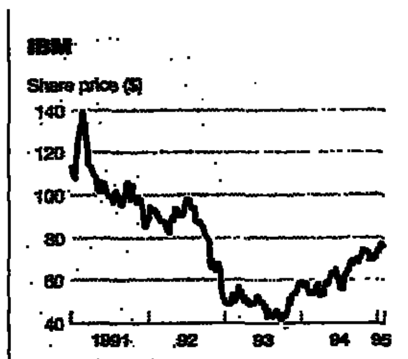
Also on Thursday comes **GTE**, the biggest US local phone company. Earnings growth is likely to be meagre.

Healthcare companies reporting include **Schering Plough, Upjohn** and **Baxter International**. Also expected are **Gillette**, the diversified manufacturer **United Technologies**, the chemical company **Dow**, airlines **Delta** and **Southwest** and the software companies **Lotus** and **Borland**.

FRIDAY: A quiet day, the biggest company to report being the media group **Tribune Co.**, owner of the Chicago Tribune and other newspapers, *plus TV and radio stations.* Expected earnings in the final quarter are $0.95 per share, up 19 per cent. Also on Friday comes the Cleveland steel producer **LTV**, where a strong underlying performance will be obscured by the fact that the company emerged from bankruptcy only 18 months ago, thus giving rise to non-comparable figures.

● Other companies due this week are **Lockheed, American Brands, Cummins Engine** and **Unisys**.

IBM



Source: FT Graphite

OTHER COMPANIES

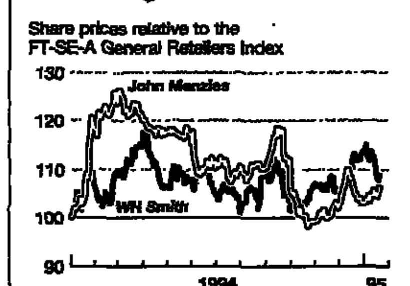
Finnish bank now skating on thicker ice

Kansallis-Osake-Pankki, one of Finland's leading banks, will hope to allay market jitters about its performance when it presents preliminary figures for 1994, three weeks earlier than planned, on Wednesday. Big credit losses will mean red figures for the fourth year running, but the deficit at around FM1.6bn to FM1.7bn ($362m) will be down sharply from 1993's FM2.7bn loss. Analysts expect the losses to end in 1995, because of a strong recovery in the Finnish economy, and will be looking for an optimistic assessment of prospects from the bank to confirm this.

■ ***Shell Canada:** Two of Canada's* biggest integrated oil companies, Shell Canada and Imperial Oil (70 per cent owned by Exxon) report results for the final quarter of 1994 this week. Strong chemical prices helped during 1994, though oil and gas margins tightened. BCE, the international telecommunications group, also reports for the final quarter.

■ **Marks and Spencer and Burton:** Trading statements from the two UK retailing groups will be closely inspected to try and gauge forecasts for the full year. Burton's is due to hold its AGM on Thursday, after which it intends to comment on the group's trading performance. M&S is expected to issue a trading statement on Christmas sales by the end of the week.

UK newsagents

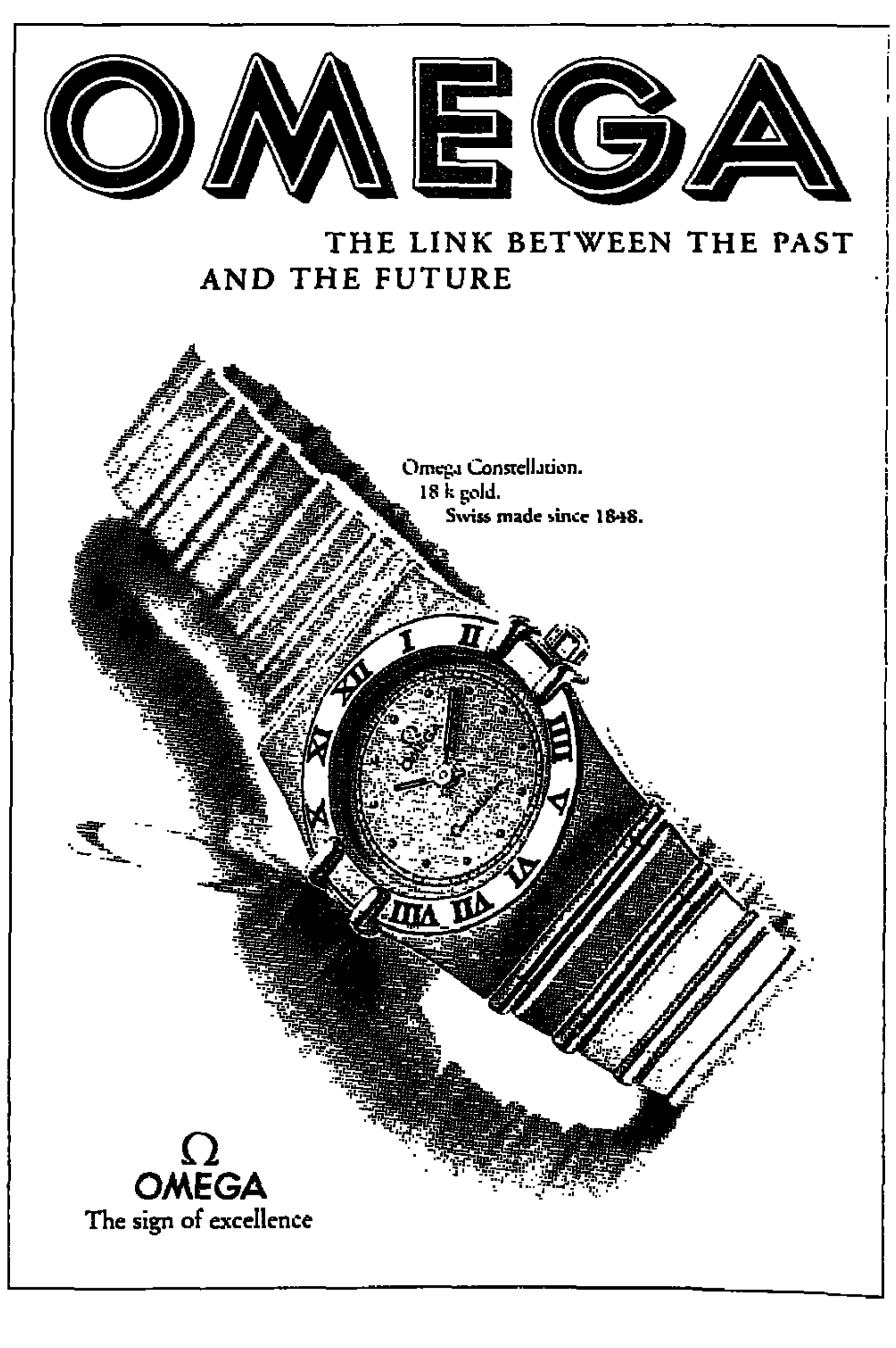


Source: FT Graphite

■ **W.H. Smith and John Menzies:** The two UK newspaper, books, stationery and music retailers are due to announce interim profits this week. W.H. Smith reports on Wednesday, and *profit forecasts range from £43.5m to* £46m ($71.8m) against £44.7m for the six months to November. The interim dividend is expected to rise from 5p to no more than 5.3p. Meanwhile, Menzies, the Edinburgh-based retail and wholesale group, is today expected to announce increased profits for the six months to October, from £6.3m up to £8m ($12.5m).

■ **USAir:** The troubled US airline, in which British Airways has a 24.6 per cent stake, last week caused concern by postponing its results announcement to Thursday or Friday of this week. Analysts are predicting another bad quarter, with net losses of $170m after preferred stock dividends: but few will be surprised if the figure is still worse.

Companies in this issue



Northern Electric set to respond to Trafalgar bid

By Peggy Hollinger and Chris Tighe

Northern Electric is today expected to launch its defence to the hostile £1.2bn bid from Trafalgar House as efforts intensify to step up the political campaign to refer the offer to the Monopolies and Mergers Commission.

Mr David Morris, Northern's chairman, will be meeting politicians this week to highlight what he believes are issues of public interest arising from the bid.

These include the ownership structure behind Trafalgar, which is 26 per cent owned by HongKong Land, in turn controlled by Jardine Matheson of Hong Kong.

He will also claim that the first bid for a privatised utility in the UK should be closely examined as it will set a precedent for other possible takeovers.

Meanwhile, Opposition chief whip Mr Derek Foster, an MP in the north-east, has claimed that under Trafalgar's offer shareholders would be "silenced and disenfranchised". Trafalgar is offering a range of options including cash valuing Northern at £10.48 a share, or cash and convertible preference stock.

Mr Foster said: "Holders of Trafalgar House convertible preference shares will have the right to receive notice of, but not to attend, speak or vote, at a general meeting of the company. At the present time all Northern Electric shares are ordinary shares so all can attend, speak and vote."

Mr Foster, Labour MP for Bishop Auckland, also claimed there was nothing to prevent Trafalgar House from "milking" Northern Electric's employees' pension fund by seeking a pensions contribution holiday.

Protection for employees under existing legislation was abysmal, he said, and the need for added protection was being considered by the social security secretary.

The electricity industry regulator has been asked by the Office of Fair Trading for its views on the bid. Professor Stephen Littlechild is expected to find that there is little reason for a referral as long as regulation does not suffer. However, the government could refer the bid on public interest grounds. Most analysts and industry executives believe the government will want to refer the bid rather than make what could be a politically controversial decision.

Wembley to proceed with £120m refinancing

By Tim Burt

Wembley, the operator of the famous football stadium, has signalled its determination to proceed with a £120m refinancing despite calls to remove Sir Brian Wolfson, its veteran chairman, by a leading institutional investor.

In a move likely to fan opposition from rebel shareholders, the debt-burdened stadium group is expected to ignore a warning from Guinness Peat Group, which controls 26 per cent of the preference shares, that it would oppose any refinancing in which Sir Brian remained chairman or chief executive.

Guinness Peat, the UK investment vehicle of New Zealand financier Sir Ron Brierley, has been disenchanted by Sir Brian's handling of the company, which was forced into a refinancing last year after losses doubled to £66m and borrowings reached £140m.

Since then, the company has considered rival refinancing packages from Apollo Advisers, the US investment house headed by Mr Leon Black, the former head of mergers and acquisitions at Drexel Burnham Lambert; Mr Harvey Goldsmith, the music impresario; and City entrepreneurs Mr Luke Johnson and Mr Hugh Osmond.

After eight months, however, the company has asked Charterhouse Bank, its financial advisers, to sound out institutional support for a go-it-alone strategy involving a £60m rights issue and similar sized debt-for-equity swap.

Existing shareholders would see their stake diluted to about 20 per cent under the proposals, with Wembley's 22-bank lending syndicate holding 25 per cent and the remainder open to new investors.

That has dismayed Guinness Peat, which said at the weekend that Sir Brian's continued presence was hindering the search for a rescue package.

Wembley's shares, which peaked at 157p in the late 1980s, will open today at 5½p.

The £730m dream comes true

David Blackwell looks at the wedding of Sodexho and Gardner Merchant, international caterers

Sodexho, the French contract catering and services group, has finalised its £730m takeover of Gardner Merchant, the leading UK contract caterer.

The marriage of the two companies, which are of roughly similar size, will create the world's biggest contract catering group.

Turnover will be about £2.5bn from 11,500 operations employing 111,000 people in 70 countries.

Mr Garry Hawkes, who led Gardner's £402m management buy-out from Forte in 1992, said it was important to stress that the group had chosen to join Sodexho after nearly two years of considering a wide range of options for expanding the company.

"This is a transaction which the board and management of Gardner Merchant fully support because both companies have the same vision for building the world's leading international contract caterer."

M. Pierre Bellon, who founded Sodexho in Marseilles in 1966, said: "This is an alliance of companies which reinforce each other's strength both geographically and operationally."

Sodexho is acquiring the whole of Gardner's share capital for £543m cash, and is taking on £173m of debt. In addition Gardner will pay preference shareholders £13m.

Gardners' management stands to make a substantial amount from the deal. The top 1,000 managers are understood to own close to 20 per cent of the company and nearly 7,000 employees have share options.

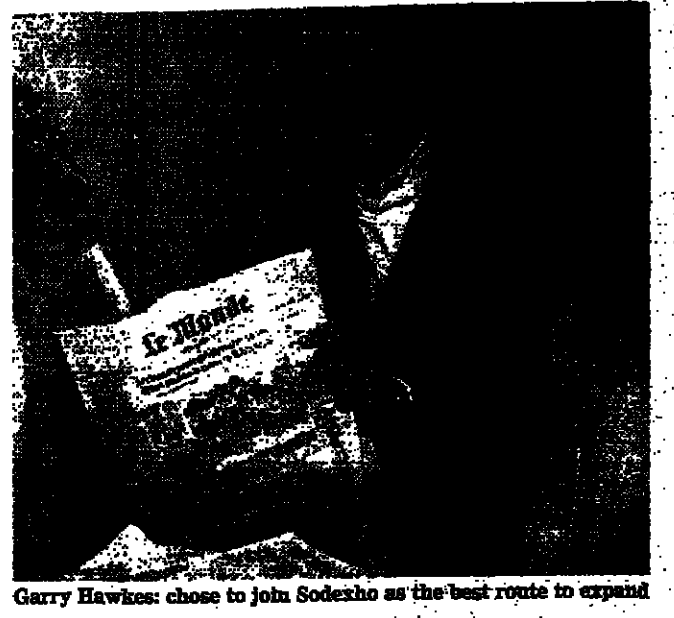
Sodexho, listed on the Paris bourse since 1983, is funding the acquisition through a FFr1.1bn (£132m) rights issue and a loan of FFr2.2bn, with the remainder coming from the group's treasury operations.

The City will be disappointed that Gardner will not now be floated. However, observers believe that the marriage makes sense, giving Sodexho its first strong presence in the UK and leaving both groups with plenty of opportunity to expand in the US and the Far East.

Forte, which had retained a 24 per cent stake in Gardner, is understood to be satisfied with the deal. It will realise about £140m, taking the total raised from the disposal of Gardner and Alpha, the airline caterer, close to £700m.

Mr Hawkes, 55, will become a joint managing director of the enlarged group, with responsibility for the UK, US, Ireland, Singapore, the Netherlands, Malaysia, Australasia and Hong Kong.

He will take charge of expansion in the US, where Gardner is already the fifth biggest contract caterer following last year's $100m (£64.1m) acquisition of part of Morrison Restaurants.



Garry Hawkes: chose to join Sodexho as the best route to expand

The other joint managing director will be M. Patrice Douce, 52, chief executive of Sodexho since 1990, who has been with the group 23 years. His responsibilities include France, Spain, Italy, Finland, southern, central and eastern Europe, Africa, southern and central America and the Middle East. Sodexho and Gardner have known each other for a long time. Sodexho was originally interested in acquiring Gardner from Forte in 1992 but baulked at paying more than £400m.

Other companies have since expressed an interest, including Granada, the leisure and entertainment group which last summer offered £700m.

The combined group's nearest rivals will be Aramark and Marriot, both of the US.

Chiroscience to start drug trials

By Daniel Green

Chiroscience, the biotechnology company floated on the stock market a year ago, will this morning announce it has been given permission from UK medicine regulators to start large-scale clinical trials with its lead drug, levobupivacaine, an anaesthetic.

The announcement will be followed later this week by a series of presentations on the company's progress with all its drugs candidates.

The levobupivacaine trials will be conducted on 165 patients in three centres. This is the first time that the drug will have been administered to patients rather than volunteers, according to Chiroscience.

The trials are scheduled to finish by the end of this year and the company hopes to submit the drug for approval in the first half of 1996.

Chiroscience specialises in separating "racemic mixtures" of two chemically similar substances.

McBride plans listing to fund acquisitions

By Tim Burt

Robert McBride, the former consumer products division of British Petroleum, is planning to come to the market in a flotation valuing the business at about £350m.

Proceeds from the float, one of the largest announced in recent months, will be used to acquire rival manufacturers of household detergents, cleaners and personal care products.

The acquisition strategy is expected to focus on continental Europe, where the group has extended its presence since a £270m management buy-out from BP in 1993. SG Warburg, the company's adviser, said that the funds raised would also be invested in continuing operations, which last year helped lift operating profits to about £40m on sales ahead by 29 per cent at £450m.

The float is scheduled for early summer, following an approach last month by Lord Sheppard, the chairman of Grand Metropolitan and the group's non-executive chairman, and Mr Michael Handley, its managing director.

They are keen to develop McBride's position as a leading supplier of own-brand products to supermarket chains.

If fully taken up, the float should enable the group to increase overseas sales.

Sir Peter Harding joins GEC-Marconi board

Sir Peter Harding, the former Chief of the Defence Staff, is to join the board of GEC-Marconi as deputy chairman at the end of March. His main duties will be to promote and focus the company's overseas sales drive, writes Jeffrey Brown.

GEC-Marconi is the defence arm of the GEC electronics group headed by Lord Weinstock. It is GEC's largest subsidiary with turnover of around £2.75bn.

Hobson seeks further expansion

Hobson, the food and homecare products group, is seeking further expansion, according to Mr Andrew Regan, the chief executive.

Hobson, which in October completed the disposal and closure programme which followed its £111m purchase in April of the Co-operative Wholesale Society's food manufacturing side, has unveiled a new sales strategy.

The annual results are scheduled for end-March. Mr Michael Bourke at Panmure Gordon, the house broker, expects pre-tax profits of £6m, giving earnings of 1.8p per share. The forecast for 1995 is £18m, for earnings of 3.1p.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
EdF (France)/Edison (Italy)	Ilva Servizie Energie (Italy)	Power generation	£147m	Italy opening up sector
Mannesman Demag (Germany)	Unit of Imo Industries (US)	Engineering	£79m	Turbo-charged move
Philip Holzmann (Germany)	Dolet Hills Mining Venture (US)	Mining	£48m	Troubled Costain selling
Charterhouse Development Capital (UK)	United Barcode Industries (Sweden)	Data processing equipment	£34m	Buy from Svenska Handelsbanken
Hammerson (UK)	Matignon Trois Fontaines (France)	Property	£24m	Continuing French expansion
BPB Industries (UK)	Unit of Epysa (Spain)	Plasterboard	£16m	Capacity juggling move
Oxford Molecular (UK)	Cache Scientific (US)	Computer services	£5.9m	Move into US/Japan
Howden Group (UK)	Burton Corblin (France)	Oil & gas services	£5.8m	Cash deal
Global Telesystems (US)/European consortium	Hermes Europe Railtel (JV)	Telecoms	n/a	communications venture
Cegelec (France)/AEG (Germany)	JV	Industrial controls	n/a	Creating large market player

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.90	18.89	20.98
0100	19.91	43.58	45.82
0130	29.94	43.58	45.82
0200	29.94	43.58	45.82
0230	19.91	34.84	37.10
0300	11.29	34.84	37.10
0330	11.29	34.84	37.10
0400	10.03	11.15	13.41
0430	9.85	9.09	9.09
0500	9.70	8.95	8.95
0530	9.50	8.95	8.95
0600	9.45	8.92	8.92
0630	9.45	8.92	8.92
0700	9.45	8.92	8.92
0730	9.35	8.92	8.92
0800	8.54	8.92	8.92
0830	8.50	8.95	8.95
0900	8.61	9.14	9.14
0930	9.35	25.46	27.73
1000	9.65	25.46	27.73
1030	12.09	30.57	32.83
1100	12.09	27.75	30.02
1130	12.09	25.46	27.73
1200	19.31	27.75	30.02
1230	19.31	39.07	41.38
1300	19.31	39.07	41.33
1330	19.31	39.07	41.38
1400	12.09	23.70	25.98
1430	12.09	9.20	11.47
1500	9.75	9.10	11.36
1530	9.70	9.10	11.36
1600	9.70	9.10	11.36
1630	9.70	9.10	11.36
1700	12.13	9.10	11.36
1730	44.37	9.10	11.36
1800	44.39	9.10	11.36
1830	42.12	9.10	11.36
1900	42.09	9.10	11.36
1930	23.84	9.10	11.36
2000	18.46	9.10	11.36
2030	13.98	9.10	11.36
2100	12.09	9.10	11.36
2130	12.09	9.10	11.36
2200	12.09	9.10	11.36
2230	9.70	9.09	9.09
2300	9.65	8.89	8.89
2330	9.52	8.89	8.89
2400	9.51	9.08	9.08

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 6:15pm Monday to Friday.
©Energy Settlements and Information Services Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.78	12.16	14.50
0100	9.52	38.48	40.82
0130	9.52	38.70	41.04
0200	9.52	38.70	41.04
0230	9.52	26.49	28.83
0300	9.52	47.00	49.34
0330	9.52	47.00	49.34
0400	9.52	13.62	15.96
0430	9.52	9.09	9.09
0500	9.70	8.86	8.86
0530	9.45	8.80	8.80
0600	9.50	8.18	8.18
0630	9.51	8.18	8.18
0700	9.67	8.18	8.18
0730	25.47	8.18	8.18
0800	29.27	8.12	8.12
0830	39.38	8.08	8.08
0900	45.73	8.18	8.18
0930	62.95	8.86	8.86
1000	68.71	8.95	8.95
1030	67.62	10.31	12.65
1100	111.33	10.31	12.65
1130	112.55	10.31	12.65
1200	59.43	25.00	27.34
1230	57.84	25.00	27.34
1300	50.81	25.00	27.34
1330	42.75	10.31	12.65
1400	39.72	10.31	12.65
1430	37.83	10.31	12.65
1500	37.19	8.89	8.89
1530	39.82	8.86	8.86
1600	61.44	8.95	8.95
1630	211.05	10.31	12.65
1700	493.27	12.02	14.36
1730	633.00	20.51	22.86
1800	573.39	20.51	22.86
1830	310.64	20.51	22.86
1900	166.49	20.51	22.86
1930	89.60	12.02	14.36
2000	54.75	12.02	14.36
2030	28.38	10.31	12.65
2100	26.70	10.31	12.65
2130	25.23	10.31	12.65
2200	25.18	9.01	9.01
2230	23.85	8.86	8.86
2300	9.59	8.86	8.86
2330	9.65	8.88	8.88
2400	9.52	8.96	8.96

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 6:15pm Monday to Friday.
©Energy Settlements and Information Services Limited

COMPANIES AND FINANCE

Credit cleared to lift bid for Rolo

By Andrew Hill in Milan

Italy's takeover authority has cleared the way for Credito Italiano (Credit), the Italian bank, to launch an increased L3,770bn ($2.37bn) offer for Credito Romagnolo (Rolo) of Bologna, without fear of being outbid by a rival consortium.

Credit will tomorrow publish the details of a bid for 78.36 per cent of Rolo, at L22,000 a share, after Consob, the stock exchange watchdog, decided that Italy's takeover rules did not allow an increased counter-bid.

The ruling, delivered on Saturday, seems to tie the hands of the consortium led by Cariplo, the Milan savings bank, which has bid L21,500 a share for 70 per cent of Rolo.

The Consob decision seems certain to provoke further calls for a reform of Italy's muddled takeover code and clarification of the procedure for regulating complex bids.

Since it began in October, the battle for Rolo has been dogged by unexplained regulatory delays and ambiguities in the bid rules, which have confused the market and frustrated the companies' advisers.

Cariplo has not commented on the Consob ruling. It could appeal the decision, but that would stretch the bid timetable and increase uncertainty in Bologna about the future of the region's strongest bank.

Both the new Credit offer and the counterbid from the consortium led by Cariplo will close on February 3. Officially, only the entry of a third bidder could prolong the timetable.

Credit and the Cariplo consortium have pushed up the value of their offers to levels which analysts thought unsustainable when Credit made its first L19,000 a share approach to Rolo in October. When that bid was rejected by Rolo, Credit tabled a bid of L20,000 a share, for some 64 per cent of the bank.

Credit will relaunch its offer alone, but if successful it will immediately sell some 10 per cent of Rolo to Carimonte, another local savings bank, and 5 per cent to Ras, the quoted Italian insurer which is part of the Allianz group.

At the same time as increasing its bid, Credit is expected to match the promises of Cariplo and its allies – IMI, the privatised banking group, Carisbo, another Bologna bank, and Reale Mutua, an insurer – about the autonomy, dividend policy and regional identity of Rolo.

That should leave Rolo shareholders with a straight decision on price. However, the Bologna bank itself gave warm backing to the consortium offer, and some of the most loyal investors have said they would rather commit their shares to a friendly Cariplo consortium, than to a more valuable but "hostile" Credit offer.

Such is the excitement generated by the bid battle that the Italian market has also begun to speculate on the possibility that if Cariplo is defeated, it might decide to mount a bid for Credit while it is recuperating from the struggle for Rolo.

Palmeri resigns from Benetton

By Andrew Hill

Mr Aldo Palmeri has resigned as managing director of Benetton, the Italian clothing group, after more than 10 years at the helm of the family-controlled company.

Mr Palmeri had held the post since September 1992, but he was also managing director between 1982 and 1990, when he left to work for Citibank's Italian operation.

Benetton announced the news late on Friday with a short press release. The company said that Mr Palmeri had "brought to a conclusion in the course of the past few years, an important phase in the development of the company's new strategy".

In an interview published yesterday in Il Sole 24 Ore, the Italian business daily newspaper, Mr Palmeri referred to changes in the atmosphere at the group.

"I realised that I couldn't give, particularly in the future, a contribution in line with the new demands of the Benetton family, and I preferred to leave," he said.

However, Mr Palmeri denied that he had fallen out with the Benettons over their attempts to diversify, via the family holding company Edizione, into areas such as food retailing.

"Those are two distinct parts of the group, and the recent purchases by the family don't have any impact on the indebtedness or prospects of the Benetton Group," he said.

Edizione recently linked up with the private company of Mr Leonardo Del Vecchio, chairman of Luxottica, the US-quoted spectacles manufacturer, to buy Italy's GS and Euromercato supermarket chains.

Edizione and Mövenpick of Switzerland have also acquired the Autogrill restaurant business

Aldo Palmeri: denies falling out with the Benettons

Judge challenges Microsoft settlement

By Louise Kehoe in San Francisco

The US Justice Department's agreement to settle anti-trust charges against Microsoft, the world's largest computer software company, has been challenged by the federal judge overseeing the case.

At a contentious eight-hour hearing in Washington on Friday, Judge Stanley Sporkin threatened to reject the settlement, raising questions about its narrow terms.

Under US competition laws, the consent decree must be approved by the court. "I will not be played for a fool by blindly approving something," the judge said.

He criticised the Justice Department for reaching an agreement with Microsoft that does not address several allegations of anti-competitive behaviour levelled against the company by competitors.

In four years of investigation by the Federal Trade Commission and the anti-trust division of the US Justice Department, Microsoft's competitors accused it of using several tactics to limit competition.

However, the settlement with the Justice Department addresses only one issue: the terms under which Microsoft licenses PC operating system programs to PC manufacturers.

Critics have said Microsoft was let off with only a "slap on the wrist". Microsoft's stock soared after the settlement was announced in July.

Judge Sporkin demanded that the Justice Department investigate new accusations that the company "pre-announces" products in an attempt to stall sales of competitors' software.

The judge said new evidence submitted by competitors – a note written by a Microsoft executive proposing that the company "pre-announce to hold off Turbo buyers" (referring to a Borland International product) – was "as close to a smoking gun as you can get".

But Ms Anne Bingaman, head of the anti-trust division of the Justice Department, told the judge he was exceeding his authority. "I'm the prosecutor and you're the judge," Ms Bingaman said. "What is before the court are licensing practices, not these other issues."

Draft code of practice for OTC markets

By Laurie Morse in Chicago

An advance draft of a voluntary code of practice for all unlisted, over-the-counter markets has been circulated in the world's financial community.

The 10-page draft, hammered out during the past six months by the Federal Reserve, the US central bank, and by prominent members of the OTC markets, aims to clarify counterparty relationships and responsibilities.

Several recent initiatives have been aimed at derivatives regulation, but this is the first attempt to create voluntary practices across all unlisted markets, including foreign exchange, debt and derivatives.

Its central theme is that participants must look after themselves – in other words, caveat emptor. This is likely to be controversial because it would put end-users, such as corporations, an an equal footing with dealers.

The code pointedly defines municipalities, corporations, mutual funds and other organisations engaged in significant activities in the OTC markets as wholesale market "participants".

The report stresses that participants should assume that each counterparty deals at arm's length for its own account. In the "exceptional" circumstance when one counterparty is relying solely on the other for information or advice in a shared transaction, the code recommends the parties agree this in writing in advance of any trade.

A co-ordinating committee is seeking comments on the draft from the financial community and has asked for replies by February 10.

The attempt to hammer out a code of ethics has taken on fresh urgency as disgruntled end-users of the OTC markets take to the courts to recover losses. Recent litigants include the US detergents group Procter & Gamble, and Orange County. In each case, customers have argued that they were poorly advised and sold unsuitable instruments.

UBS directors willing to negotiate over BK Vision

By Ian Rodger in Zurich

The directors of Union Bank of Switzerland are willing to negotiate some issues in their dispute over the bank's governance with BK Vision, the investment fund that is its largest shareholder.

BK Vision, controlled by Mr Martin Ebner's BZ banking group, filed a court action two weeks ago against UBS's controversial plan to convert its registered shares into bearer shares. UBS has filed a counter-claim for SFr150m ($118m) from BZ for estimated damages arising from delays to the plan's implementation.

UBS share prices have tumbled since the bank announced its proposal last September, and pressure has been building in Swiss financial circles for a negotiated settlement.

Mr Robert Studer, UBS chief executive, told a Zurich newspaper yesterday that there were issues on which agreement between the board and BK Vision should be possible.

"We hope that sooner or later reason will prevail and the realisation will spread that a legal battle lasting several years will damage not only UBS but much more so the BZ group and its clients," Mr Studer said in Sonntags Zeitung.

The share structure unification plan, narrowly approved at an extraordinary meeting in November, could not be undone. But the directors would discuss the size of the board, the qualifications of its members and the terms of bonus schemes for UBS employees. BK Vision has called for a much smaller and more independent board and a more share-oriented bonus system for employees.

Mr Ebner said yesterday he was studying the situation.

In the interview, Mr Studer claimed the bank's massive purchases of its registered shares in the run-up to the November meeting were to rebuild treasury holdings for use in possible takeovers.

The purchases have been criticised partly because they were made when the registered shares still traded at a hefty premium to the bearers. The premium was set to disappear if the unification motion passed, thereby causing the bank heavy losses.

Mr Studer also denied UBS had made voting agreements with some sellers in cases of forward purchases. BK Vision will ask for a special audit of the transactions.

BZ Bank suffers fall in profits

BZ Bank Zürich, the institutional brokerage house run by Mr Martin Ebner, suffered a 79 per cent drop in net profit in 1994 to SFr34m ($27m) because of the slump in the Swiss stock market, writes Ian Rodger.

But Mr Ebner, in the middle of a bitter struggle with the directors of Union Bank of Switzerland over that bank's governance, was undaunted.

He said over its 10 year life, BZ had achieved an average return on equity of about 30 per cent. Even last year, its return was 11 per cent, and he looked for a strong recovery in the Swiss market in the next two to three years.

BZ, one of the largest brokers on the Swiss market, reported no profits on its own securities book last year, compared with SFr151.3m in 1993, and value write-downs jumped 31 per cent to SFr100.6m.

Mr Ebner said he took comfort from the relatively modest fall, 10.5 per cent, in commission income to SFr144.9m.

"We greatly appreciate the confidence our selected number of customers place in the performance of our bank," he said.

Total assets at December 31 1994 were SFr796.0m, a third lower than a year earlier, mainly due to sluggish equity trading. Shareholders' equity, after paying out the entire net income as a dividend, remained at SFr500m.

NEWS DIGEST

Reuters and Fox in TV agreement

Reuters, the international news and information company, and Fox Broadcasting, the US television network, have announced an agreement to co-operate in TV news gathering and dissemination, Reuter reports from Las Vegas.

"Under this agreement, the companies will create a high-quality television news operation designed to service Fox owned-and-operated stations, Fox affiliates and other participating stations," they said.

Financial terms of the deal were not disclosed.

Initially, the service will provide three separate broadcast news packages a day but is expected to expand later this year, the companies said.

Fox Broadcasting is a subsidiary of News Corp, headed by media magnate Mr Rupert Murdoch.

Austrian group sees earnings downturn

Maculan, a leading Austrian construction group, said its 1994 net income would be between Sch150m ($14.08m) and Sch200m, sharply lower than the Sch263m earned in 1993, mainly because of a Sch100m provision on an Austrian tunnel project, writes Ian Rodger.

But the group expected a "significant increase" in 1995 profit, so the directors are recommending an unchanged 22 per cent dividend for 1994.

Turnover in 1994 was up 10 per cent to Sch15.4bn and the order book at the end of November stood at Sch10.2bn, 10.3 per cent higher than a year earlier.

The group's aggressive acquisition strategy in eastern Germany paid off, with turnover in that area up 16 per cent last year to nearly Sch5bn.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, January 20, 1995. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	5504.50	3481.73	2294.69	3490.93
Albania	(Lek)	159.730	100.453	66.5874	101.3
Algeria	(Dinar)	67.4743	42.4339	28.1283	42.7919
Andorra	(Fr Franc)	8.3048	5.2228	3.462	5.2668
	(Sp Peseta)	208.662	131.226	86.9859	132.333
Angola	(New Kwanza)	817888.3	514362	340956	518700
Antigua	(E Carr $)	4.2917	2.699	1.7891	2.7217
Argentina	(Peso)	1.5904	1.0001	0.6629	1.0086
Armenia	(Dram)	627.000o	394.316	261.381	397.641
Aruba	(Florin)	2.8452	1.7893	1.186	1.8044
Australia	(Aus $)	2.0681	1.3006	0.8621	1.3115
Austria	(Schilling)	16.9340	10.6496	7.0593	10.7394
Azores	(Port Escudo)	250.862	157.765	104.578	159.096
Bahamas	(Bahama $)	1.5901	1	0.6628	1.0084
Bahrain	(Dinar)	0.5995	0.377	0.2499	0.3802
Balearic Is	(Sp Peseta)	208.662	131.226	86.9859	132.333
Bangladesh	(Taka)	63.2940	39.7987	26.3815	40.1344
Barbados	(Barb $)	3.1970	2.0105	1.3327	2.0275
Belarus	(Rouble)	18424.4o	11586.9	7680.67	11684.7
Belgium	(Belg Fr)	49.4745	31.114	20.6246	31.3765
Belize	(B $)	3.1790	1.9992	1.3252	2.0161
Benin	(CFA Fr)	830.480	522.282	346.206	526.687
Bermuda	(Bermudian $)	1.5901	1	0.6628	1.0084
Bhutan	(Ngultrum)	49.8799	31.369	20.7936	31.6336
Bolivia	(Boliviano)	7.5051	4.7198	3.1286	4.7597
Botswana	(Pula)	4.2859	2.6953	1.7866	2.718
Brazil	(Real)	1.3492	0.8485	0.5624	0.8556
Brunei	(Brunei $)	2.2984	1.4454	0.9581	1.4576
Bulgaria	(Lev)	106.560	67.0146	44.4222	67.5799
Burkina Faso	(CFA Fr)	830.480	522.282	346.206	526.687
Burma	(Kyat)	9.1860	5.7768	3.8294	5.8257
Burundi	(Burundi Fr)	387.880	243.934	161.698	245.992
Cambodia	(Riel)	4147.00	2608.01	1728.78	2630.01
Cameroon	(CFA Fr)	830.480	522.282	346.206	526.687
Canada	(Canadian $)	2.2665	1.4253	0.9448	1.4374
Canary Is	(Sp Peseta)	208.662	131.226	86.9859	132.333
Cp. Verde	(CV Escudo)	131.881	82.9388	54.9779	83.6383
Cayman Is	(CI $)	1.3164	0.8278	0.5487	0.8348
Cent.Afr. Rep	(CFA Fr)	830.480	522.282	346.206	526.687
Chad	(CFA Fr)	830.480	522.282	346.206	526.687
Chile	(Chilean Peso)	649.774	408.637	270.875	412.084
China	(Yuan)	13.4201	8.4397	5.5945	8.5109
Colombia	(Col Peso)	1362.12	856.625	567.834	863.851
CIS ♣	(Rouble)	1.0423o	0.6554	0.4345	0.661
		6423.20m	4039.49	2677.57	4073.57
Comoros	(Fr)	625.425	393.324	260.724	396.642
Congo (Brazz)	(CFA Fr)	830.480	522.282	346.206	526.687
Costa Rica	(Colon)	264.445	166.307	110.241	167.71
Côte d'Ivoire	(CFA Fr)	830.480	522.282	346.206	526.687
Croatia	(Kuna)	8.7456	5.5	3.6459	5.5464
Cuba	(Cuban Peso)	1.5895	0.9996	0.6626	1.008
Cyprus	(Cyprus £)	0.7437	0.4677	0.31	0.4716
Czech Rep.	(Koruna)	43.6080	27.4246	18.179	27.656
Denmark	(Danish Krone)	9.4637	5.9516	3.9451	6.0018
Djibouti Rep	(Djib Fr)	282.486	177.653	117.761	179.151
Dominica	(E Carib $)	4.2917	2.699	1.7891	2.7217
Dominican Rep	(D Peso)	21.3470	13.4249	8.899	13.5381
Ecuador	(Sucre)	3980.62o	2502.13	1526.02	2521.55
		3743.27a	2354.11	1560.48	2373.87
Egypt	(Egyptian £)	5.4035	3.3982	2.2525	3.4268
El Salvador	(Colon)	13.9240	8.7566	5.8045	8.8305
Equat'l Guinea	(CFA Fr)	830.480	522.282	346.206	526.687
Estonia	(Kroon)	19.1992	12.0742	8.0036	12.176
Ethiopia	(Ethiopian Birr)	8.6151	5.4179	3.5914	5.4636
Falkland Is	(Falk £)	1.00	0.6288	0.4168	0.6341
Faroe Is	(Danish Krone)	9.4637	5.9516	3.9451	6.0018
Fiji Is	(Fiji $)	2.2436	1.4109	0.9353	1.4228
Finland	(Markka)	7.4201	4.6664	3.0932	4.7057
France	(Fr)	8.3048	5.2228	3.462	5.2668
Fr. Cty/Africa	(CFA Fr)	830.480	522.282	346.206	526.687
Fr. Guiana	(Local Fr)	8.3048	5.2228	3.462	5.2668
Fr. Pacific Is	(CFP Fr)	151.619	95.3512	63.2057	96.1555
Gabon	(CFA Fr)	830.480	522.282	346.206	526.687

		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	15.5374	9.7713	6.4771	9.8537
Germany	(D-Mark)	2.3988	1.5085	1	1.5213
Ghana	(Cedi)	1645.13	1034.61	685.814	1043.33
Gibraltar	(Gib £)	1.00	0.6288	0.4168	0.6341
Greece	(Drachma)	373.503	234.893	155.704	236.874
Greenland	(Danish Krone)	9.4637	5.9516	3.9451	6.0018
Grenada	(E Carr $)	4.2917	2.699	1.7891	2.7217
Guadaloupe	(Local Fr)	8.3048	5.2228	3.462	5.2668
Guam	(US $)	1.5901	1	0.6628	1.0084
Guatemala	(Quetzal)	9.1692	5.7664	3.8224	5.815
Guinea	(Fr)	1592.85	1001.73	664.02	1010.18
Guinea-Bissau	(Peso)	21567.9	13563.9	8991.12	13678.3
Guyana	(Guyanese $)	225.709	141.946	94.0924	143.144
Haiti	(Gourde)	30.2005	18.9926	12.5896	19.153
Honduras	(Lempira)	14.7347	9.2665	6.1425	9.3446
Hong Kong	(HK $)	12.2956	7.7327	5.1258	7.798
Hungary	(Forint)	177.863	111.856	74.1466	112.8
Iceland	(Icelandic Krona)	108.102	67.9844	45.065	68.5578
India	(Indian Rupee)	49.8799	31.369	20.7936	31.6336
Indonesia	(Rupiah)	3524.74	2216.68	1469.38	2235.38
Iran	(Rial)	2732.50	1718.45	1139.11	1732.94
Iraq	(Iraqi Dinar)	0.8882	0.5585	0.3702	0.5633
Irish Rep	(Punt)	1.0092	0.6346	0.4207	0.64
Israel	(Shekel)	4.7657	2.9971	1.9867	3.0223
Italy	(Lira)	2530.56	1591.45	1054.93	1604.87
Jamaica	(Jamaican $)	50.8640	31.9879	21.2038	32.2577
Japan	(Yen)	157.686	99.1687	65.7349	100.003
Jordan	(Jordanian Dinar)	1.1115	0.699	0.4633	0.7049
Kenya	(Kenya Shilling)	70.5738	44.3832	29.4204	44.7576
Kiribati	(Australian $)	2.0681	1.3006	0.8621	1.3115
Korea North	(Won)	3.4174	2.1491	1.4246	2.1673
Korea South	(Won)	1260.35	792.623	525.409	799.309
Kuwait	(Kuwaiti Dinar)	0.4748	0.2985	0.1979	0.3011
Laos	(New Kip)	1152.38	724.728	480.403	730.841
Latvia	(Lats)	0.8573	0.5391	0.3573	0.5436
Lebanon	(Lebanese £)	2614.04	1643.95	1089.73	1657.81
Lesotho	(Maluti)	5.6157	3.5316	2.341	3.5614
Liberia	(Liberian $)	1.5901	1	0.6628	1.0084
Libya	(Libyan Dinar)	0.5681	0.3572	0.2368	0.3602
Liechtenstein	(Swiss Fr)	2.0170	1.2684	0.8408	1.2791
Lithuania	(Litas)	6.3580	3.9984	2.6504	4.0322
Luxembourg	(Lux Fr)	49.4745	31.114	20.6246	31.3765
Macao	(Pataca)	12.7079	7.9918	5.2976	8.0592
Madagascar	(MG Fr)	5793.73	3643.63	2415.28	3674.38
Madeira	(Port Escudo)	250.862	157.765	104.578	159.096
Malawi	(Kwacha)	24.3783	15.33	10.1618	15.4593
Malaysia	(Ringgit)	4.0570	2.5514	1.6912	2.5729
Maldive Is	(Rufiya)	18.7084	11.7655	7.799	11.8647
Mali Rep	(CFA Fr)	830.480	522.282	346.206	526.687
Malta	(Maltese Lira)	0.5767	0.3626	0.2404	0.3657
Martinique	(Local Fr)	8.3048	5.2228	3.462	5.2668
Mauritania	(Ouguiya)	193.919	121.954	80.84	122.983
Mauritius	(Maur Rupee)	28.3169	17.8082	11.8046	17.9584
Mexico	(Mexican Peso)	9.0554	6.6948	3.7749	6.7428
Miquelon	(Local Fr)	8.3048	5.2228	3.462	5.2668
Monaco	(French Fr)	8.3048	5.2228	3.462	5.2668
Mongolia	(Tugrik)	654.810	411.804	272.974	415.278
Montserrat	(E Carr $)	4.2917	2.699	1.7891	2.7217
Morocco	(Dirham)	13.9399	8.7668	5.8111	8.8406
Mozambique	(Metical)	10509.0	6609.02	4380.94	6664.76
Namibia	(S A Rand)	5.6157	3.5316	2.341	3.5614
Nauru Is	(Australian $)	2.0681	1.3006	0.8621	1.3115
Nepal	(Nepalese Rupee)	78.5213	49.3813	32.7335	49.7978
Netherlands	(Guilder)	2.6901	1.6917	1.1214	1.706
N'nd Antilles	(A/Guilder)	2.8452	1.7893	1.186	1.8044
New Zealand	(NZ $)	2.4769	1.5577	1.0325	1.5708
Nicaragua	(Gold Cordoba)	11.3706	7.1509	4.7402	7.2113
Niger Rep	(CFA Fr)	830.480	522.282	346.206	526.687
Nigeria	(Naira)	34.9611	21.9863	14.5827	22.1848
Norway	(Nor. Krone)	10.4999	6.6032	4.3771	6.6588
Oman	(Rial Omani)	0.6122	0.385	0.2552	0.3882

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	49.0198	30.8281	20.4351	31.0881
Panama	(Balboa)	1.5901	1	0.6628	1.0084
Papua New Guinea	(Kina)	1.8489	1.1627	0.7707	1.1725
Paraguay	(Guarani)	3079.66	1936.77	1283.83	1953.11
Peru	(New Sol)	3.4584	2.1749	1.4417	2.1933
Philippines	(Peso)	39.1948	24.6492	16.3393	24.8571
Pitcairn Is	(£ Sterling)	1.00	0.6288	0.4168	0.6341
	(NZ $)	2.4769	1.5577	1.0325	1.5708
Poland	(Zloty)	3.8328	2.4104	1.5977	2.4307
Portugal	(Escudo)	250.862	157.765	104.578	159.096
Puerto Rico	(US $)	1.5901	1	0.6628	1.0084
Qatar	(Riyal)	5.7850	3.6381	2.4116	3.6688
Reunion Is. de la	(F/Fr)	8.3048	5.2228	3.462	5.2668
Romania	(Leu)	2785.00	1751.46	1161	1766.24
Rwanda	(Fr)	218.640	137.501	91.1455	138.661
St Christopher	(E Carr $)	4.2917	2.699	1.7891	2.7217
St Helena	(£)	1.00	0.6288	0.4168	0.6341
St Lucia	(E Carr $)	4.2917	2.699	1.7891	2.7217
St Pierre	(French Fr)	8.3048	5.2228	3.462	5.2668
St Vincent	(E Carr $)	4.2917	2.699	1.7891	2.7217
San Marino	(Italian Lira)	2530.56	1591.45	1054.93	1604.87
Sao Tome	(Dobra)	1924.41	1210.24	802.239	1220.45
Saudi Arabia	(Riyal)	5.9636	3.7504	2.486	3.782
Senegal	(CFA Fr)	830.480	522.282	346.206	526.687
Seychelles	(Rupee)	7.8394	4.9301	3.268	4.9717
Sierra Leone	(Leone)	977.543	614.768	407.513	619.954
Singapore	($)	2.2984	1.4454	0.9581	1.4576
Slovakia	(Koruna)	48.3710	30.42	20.1646	30.6788
Slovenia	(Tolar)	197.702	124.333	82.417	125.382
Solomon Is	($)	5.2701	3.3143	2.1969	3.3422
Somali Rep	(Shilling)	4164.49	2619.01	1736.07	2641.1
South Africa	(Rand)	5.6157c	3.5316	2.341	3.5614
		6.5749g	4.1348	2.7409	4.1697
Spain	(Peseta)	208.662	131.226	86.9859	132.333
Spanish Ports in N Africa	(Sp Peseta)	208.662	131.226	86.9859	132.333
Sri Lanka	(Rupee)	79.2322	49.8284	33.0299	50.2487
Sudan Rep	(Dinar)	61.1322(3)	38.4455	25.4844	38.7697
Surinam	(Guilder)	525.330	330.375	218.997	333.162
Swaziland	(Lilangeni)	5.6157	3.5316	2.341	3.5614
Sweden	(Krona)	11.7834	7.4104	4.9122	7.4729
Switzerland	(Fr)	2.0170	1.2684	0.8408	1.2791
Syria	(£)	66.7590	41.9841	27.8301	42.3382
Taiwan	($)	41.7810	26.2757	17.4174	26.4973
Tanzania	(Shilling)	850.383	534.798	354.504	539.309
Thailand	(Baht)	39.8737	25.0762	16.6223	25.2877
Togo Rep	(CFA Fr)	830.480	522.282	346.206	526.687
Tonga Is	(Pa'anga)	2.0681	1.3006	0.8621	1.3115
Trinidad/Tobago	($)	9.0204	5.6729	3.7603	5.7207
Tunisia	(Dinar)	1.5531	0.9767	0.6474	0.9849
Turkey	(Lira)	64891.2	40893.7	26968.2	41036.9
Turks & Caicos	(US $)	1.5901	1	0.6628	1.0084
Tuvalu	(Australian $)	2.0681	1.3006	0.8621	1.3115
Uganda	(New Shilling)	1438.50	904.66	599.675	912.291
Ukraine	(Karbovanets)	194076.0	122054	80906.3	123083
U A E	(Dirham)	5.8399	3.6726	2.4345	3.7036
United Kingdom	(£)	1.00	0.6288	0.4168	0.6341
United States	(US $)	1.5901	1	0.6628	1.0084
Uruguay	(Peso Uruguayo)	9.2966	5.8478	3.8763	5.8971
Vanuatu	(Vatu)	175.542	110.397	73.179	111.326
Vatican	(Lira)	2530.56	1591.45	1054.93	1604.87
Venezuela	(Bolivar)	270.102	169.865	112.599	171.298
Vietnam	(Dong)	17718.2	11142.8	7386.26	11236.8
Virgin Is-British	(US $)	1.5901	1	0.6628	1.0084
Virgin Is-US	(US $)	1.5901	1	0.6628	1.0084
Western Samoa	(Tala)	3.9374	2.4761	1.6414	2.497
Yemen (Rep of)	(Rial)	88.30a(2)	55.531	36.81	55.8994
Yemen (Rep of)	(Dinar)	0.6884(2)	0.4329	0.2869	0.4365
Yugoslavia	(New Dinar) (1)				
Zaire Rep	(Zaire)	5051.00	3176.69	2105.64	3203.32
Zambia	(Kwacha)	1092.75	687.221	455.54	693.018
Zimbabwe	($)	13.2461	8.3303	5.5219	8.4006

Special Drawing Rights January 19, 1995 United Kingdom £0.932868 United States $1.48365 Germany DM2.24804 Japan Y145.590 European Currency Unit Rates January 20, 1995 United Kingdom £0.790594 United States $1.25349 Germany DM1.89778 Japan Y124.454

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate, (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; ♣ CIS applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. (2) Yemeni rates for 29.4.94 (3) Sudanese Dinar revalued. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Friday, January 20, 1995

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / Gerard Baker in Tokyo

A continuing capacity for resurrection?

It must sometimes seem to the Japanese that they are condemned to prove again and again their remarkable capacity for resurrection. In war and peace this century the country has been brought to the point of destruction, yet each time the Japanese spirit has produced a revival that has deserved to be called "miraculous".

Though the scale of the catastrophe in Kansai – Japan's most important economic region outside Tokyo – last week was not remotely comparable with Japan's earlier suffering, the same resilience that carried the country through those tragedies was evident last week. The message from Kobe was that the city will be rebuilt and Japan's wounds will again be healed.

That resolve was what dictated the early financial response to the disaster. The consensus among economists and investors at home and overseas was that nothing that had happened would undermine the Japanese economy in all but the shortest of short runs. The stock market reacted nervously, but did not collapse as some had expected, and the yen continued to fly near all-time highs.

Most economic opinion remained positive – with similar investment implications. The Kobe disaster would not alter the picture of a gradually strengthening economic recovery accompanied by a rising stock market.

But last Friday the government demurred from the generally sanguine view. Mr Masayoshi Takemura, the finance minister, said the current economic projections for the next year or two had been rendered "meaningless" by the earthquake. Mr Takemura did not elaborate but his caution is surely justified. Despite the brave predictions, the fact is that there is still almost total uncertainty about the effects of Kobe, uncertainty which poses risks to the optimists' view.

Behind the sanguine assessment was a relatively simple equation. It did not matter how great the destruction was; the immediate loss of production would be offset sooner or later by the extra public and private investment that would be necessary to rebuild the ruins.

Nomura Research Institute estimated that the initial loss might cut national industrial output by 1 to 2.5 per cent over the next year, but after that the extra investment would boost gross domestic product by as much as 2.9 per cent. The Long Term Credit Bank of Japan put damage at around Y4,000bn, (£25.6bn) but said that reconstruction demand would total half that much in the second quarter of 1995 alone. According to JP Morgan, the multiplier effect – by which investment spending ripples through the economy in the form of higher wages, profits and spending – should boost GDP by 1.5 per cent over the period of reconstruction.

But the scale of the damage does matter. It affects the pace at which the economy recovers and it heightens the risk of a short-term shock unseating that recovery.

Since there has not been a disaster like it in Japan in modern times, the estimates made so far are rough, back-of-the-envelope calculations based on parallels with the only comparable loss recently, the Los Angeles earthquake of a year ago. The reconstruction there cost at least $25bn (£16bn) and if the initial impressions from Kobe are correct, the damage is much worse. Given that costs in Japan are at least twice those in California, a figure of many times the Los Angeles damage seems reasonable.

While that level of spending will be a certain stimulus to economic activity, it will place a real stress on the country's liquidity.

The near-complete absence of insurance cover means that banks will have to be prepared to pump substantial amounts into the private sector to rebuild factories, homes and warehouses. The fragility of the financial system under a mountain of bad debts has made banks reluctant to lend so generously and, despite the good intentions many of them will face difficulties.

Almost every sector of the economy has suffered losses from the earthquake and the additional debt burden on companies will slow their growth for some time.

And what effect will the disaster have on land prices throughout the earthquake-prone parts of the country? Much of the financial system's assets are secured on land prices that have already fallen by more than 50 per cent from their peak three years ago.

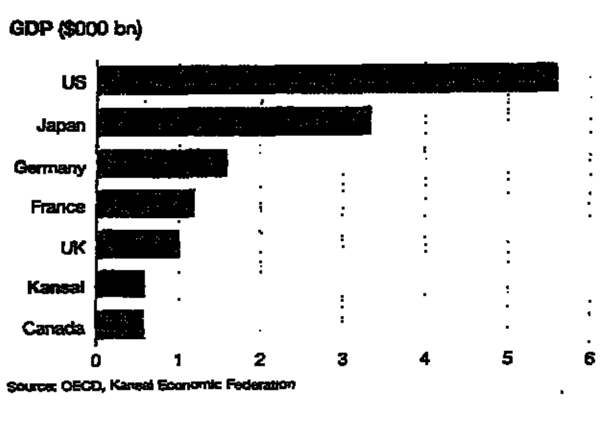
Above all what will Kobe have done to the confidence of Japanese consumers and investors?

For the past four years financial markets have languished as confidence has been in short supply. Fear about falling land prices and stock prices has demoralised investors. Fear about job security has hit the consumer. Fear of a rising yen has made Japanese institutions nervous about sending their money abroad. These factors have restrained the Japanese recovery so far and have been responsible for the continuing slump in financial markets.

Now, on top of these doubts is a much more tangible worry. Most people in Japan have lived with the possibility of an earthquake for many years. In the Tokyo area, where more than one quarter of the country's population live, a massive earthquake is not just expected, it is widely regarded as imminent. Billions of dollars have been spent on "earthquake-proofing" buildings, roads and railways. After Kobe a nervous population no longer believes the planners' and builders' boasts. The consequences of that apprehension are incalculable, but they are hardly likely to encourage a more risk-oriented approach.

That the Japanese will again demonstrate their resilience in the face of catastrophe is not in doubt. But the underlying strength of the Japanese economy and its financial system has been more debilitated than ever before. At least until even the outline of the damage becomes clear, confidence in Japan's recovery is misplaced.

Kansai versus world output



Source: OECD, Kansai Economic Federation

Total return in local currency to 19/1/95

	% change over period US	Japan	Germany	France	Italy	UK
Cash						
Week	0.11	0.04	0.09	0.10	0.16	0.10
Month	0.51	0.20	0.46	0.47	0.73	0.50
Year	3.68	2.00	5.31	5.63	7.61	5.19
Bonds 3-5 year						
Week	0.42	-0.11	0.38	0.59	0.79	0.18
Month	0.74	0.42	0.78	0.75	1.22	0.32
Year	-2.72	0.30	0.11	-1.63	-0.15	-1.53
Bonds 7-10 year						
Week	0.56	-0.18	0.83	0.76	1.34	0.34
Month	0.93	0.03	0.61	0.46	0.94	-0.16
Year	-5.77	-1.53	-4.57	-8.24	-8.76	-7.00
Equities						
Week	1.2	-2.8	0.6	-0.4	7.6	-0.1
Month	2.3	-2.5	0.2	-3.6	10.7	0.2
Year	2.0	-3.1	-3.1	-16.5	11.6	-10.2

Source: Cash & Bonds - Lehman Brothers. Equities-© NatWest Securities.
The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

COMMODITIES / Richard Mooney

Traders look for further gains

London's commodity traders will return from the weekend break today eager to see whether their markets can live up to the promise exhibited at the end of last week.

Prices of base metals, precious metals and coffee all finished with their tails up and many markets looked ready to test upside targets.

At the London Metal Exchange the main interest will focus, as usual, on the flagship copper contract, which settled back on Friday after setting a fresh 5¾-year high of $3,081 a tonne, for the three months delivery position, on Thursday. It ended nearly $30 below that level but traders remained hopeful that a successful test of resistance at $3,100 this week could prove a preliminary to and assault on the all-time high of $3,280.

More confidence was seen in the aluminium market, however. A late surge on Friday lifted it to a 5¾-year high and further gains looked on the cards, traders told the Reuters news agency.

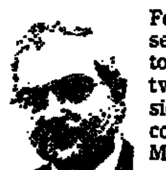
The gold market appears to face a tougher task. A 3.3 per cent rise in less than two weeks lifted the London price from an 8¼-month low to within a dollar of the upper limit of its recent trading range. But a lot of resistance is expected at that limit – $385 a troy ounce – and fears of a US interest rate rise to bolster the weak dollar could discourage buyers.

If a test of the upside fails, speculators could turn their attention to the minor support level at $381 an ounce, and if that gives way, major support is not expected before $378.

Coffee futures put on a spurt late on Friday after Colombia announced export restrictions to be operated in February and March. That added weight to the Central American producers' export retention scheme, but investors will be looking for some concrete action from Brazil, the biggest producer, to underpin the rally. A statement issued after a meeting of the Association of Coffee Producing Countries on Thursday was dismissed by one trader as "all words and no action".

Economic Eye / Martin Wolf

Private flows after Mexico



Foolish people seem already to be drawing two conclusions from the collapse of the Mexican peso and investor disenchantment with emerging markets: that another debt crisis is at hand; and that the "neo-liberalism" of the 1980s and early 1990s was a mistake. They are badly mistaken.

The chart, taken from the World Bank's latest debt tables, shows why the situation today is entirely different from that of 12 years ago.(1) In 1994, estimates the Bank, more than 40 per cent of all private flows took the form of foreign direct investment, while more than two thirds were not debt-creating. In the 1970s private capital flowed mainly to governments and parastatal enterprises. In 1993, however, 95 per cent of net private finance flowed to the private sector, while 70 per cent of net long-term flows to developing countries were from private sources to private users, up from 45 per cent in 1990. Risk is now far better distributed than before.

Of these flows 87 per cent went to just 20 countries between 1989 and 1993. China alone received 20 per cent of the private capital. All of these countries have undertaken reforms. Many have also been cautious in how they have imported the capital: in 1991-93, for example, only 15 per cent of debt accumulated by China and Korea was short term. Furthermore, US dollar real interest rates moved from being negative to strongly positive in the early 1980s. A shock of comparable magnitude seems virtually inconceivable today.

Most of the capital importers have avoided large external deficits. Mexico, whose current account deficit was around 7.5 per cent of GDP in 1992-93, is an exception to this rule: between 1991 and 1994 its current account deficit accounted for 72 per cent of the deficit of the seven largest Latin American countries. Mexico also relied more than most on short-term funds, these being 65 per cent of its total borrowings between 1991 and 1993. Yet even Mexico has changed: in 1982, its fiscal deficit was 17 per cent of GDP, while in 1993 it had a budget surplus of 0.7 per cent of GDP.

True, there is now good reason to expect at least a short- to medium-term diminution of the flow of portfolio capital to developing countries. But this is healthy, to the extent that it reflects a better understanding of the risks and rewards. Capital-suppliers need such lessons from time to time.

Countries that have large current account deficits financed by private capital, such as Mexico, will have to undertake a classic external adjustment. The combination of devaluation with higher domestic savings is the standard medicine. Higher interest rates will themselves stimulate savings. With its superb access to the north American market, extensive industrial restructuring and now a large devaluation, Mexico is in an excellent position to mount an export-led recovery similar to that achieved by Chile a decade ago.

For developing countries as a group, some diminution of unstable flows of portfolio capital could well prove beneficial. Capital flows are helpful, but countries can have too much of this particular good thing. An important World Bank study on macroeconomic adjustment to capital inflows, published late last year, shows why.(2) Large scale inflows of portfolio capital increase the volume of resources going through weak financial systems, already exposed to pervasive moral hazard; they tend to push up the real exchange rate, eroding the success of trade liberalisation; if this real appreciation occurs via domestic inflation, they thereby undermine the sustainability of price liberalisation; and sudden reversals of these flows create the costs now likely to be seen in Mexico.

The World Bank study of Argentina, Chile, Colombia, Mexico, Indonesia, Korea, Malaysia, the Philippines and Thailand shows it is possible to avoid – or at least contain – the real exchange rate appreciation. The main requirement is increased public savings, preferably brought about by a declining share of public consumption in GDP. Sterilised intervention – sales of long-term domestic bonds to offset the monetary effects of purchases of foreign currency by the authorities – works only in the short term and requires the accompaniment of fiscal restraint.

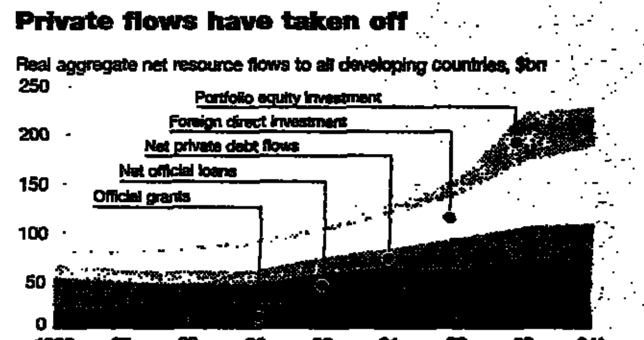
While it is possible to contain the harmful side-effects of surges in capital inflows in such ways, it would be better for developing countries not to have to face the problem. This does not mean that they would be better off without capital inflows at all. Within a relatively undistorted domestic policy environment, both FDI and stable flows of portfolio capital should be helpful. The problem is created by speculative surges. If events of the past month drive these out of the system for a while, management of economic reform should become easier.

Opponents of the reforms of the 1980s should avoid gloating. A new debt crisis is not at hand; the more open economies of today will manage the required short-term adjustments; and the halt to speculative capital flows will make it easier for developing countries to achieve sustainable growth. This ill wind should blow a great deal of good.

(1) World Debt Tables 1994-95: External Finance for Developing Countries, Volume 1, Analysis and Summary Tables (Washington DC: World Bank, 1994); (2) Vittorio Corbo and Leonardo Hernández, Macroeconomic Adjustment to Capital Inflows, Policy Research Working Paper 1377, International Economics Department, World Bank, November 1944.

The wrong chart accompanied the Economic Eye of January 9. The correct chart was published on January 10, on page 20 of the UK edition and page 24 of the international edition.

Private flows have taken off



Source: World Bank, Debtor Reporting System (DRS) *Projected

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

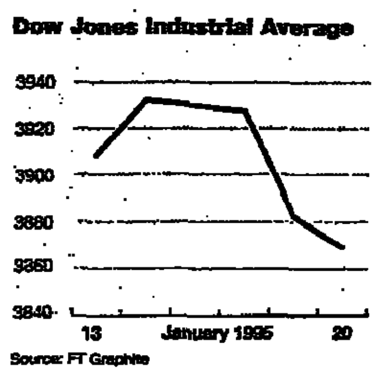
NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JANUARY 20 1995 US Dollar Index	%chg since 30/12/94	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 30/12/94	Gross Div. Yield	THURSDAY JANUARY 19 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	167.52	-2.4	156.20	105.01	131.40	144.90	-1.5	3.98	168.26	158.90	106.01	133.87	146.13	189.15	161.21	179.90
Austria (16)	175.19	-4.1	163.35	109.82	137.41	137.77	-8.4	1.18	176.65	166.83	111.29	140.54	140.55	196.89	167.46	191.56
Belgium (35)	169.37	0.6	157.92	106.17	132.85	129.96	-1.7	4.25	169.03	158.69	105.86	133.68	130.66	177.04	161.63	164.28
Brazil (28)	146.09	-10.5	136.21	91.58	114.59	228.17	-10.3	0.98	145.33	137.25	91.56	115.62	227.11	–	–	–
Canada (103)	124.46	-3.8	116.05	78.02	97.62	128.47	-2.2	2.69	126.16	119.14	79.48	100.37	129.64	144.70	120.54	144.70
Denmark (33)	252.71	0.4	235.63	158.42	198.22	204.57	-1.9	1.45	250.72	236.78	157.96	199.47	205.74	275.79	238.81	258.32
Finland (24)	192.15	3.3	179.16	120.45	150.71	188.18	1.7	0.73	190.23	179.66	119.85	151.35	189.14	201.41	133.88	146.91
France (102)	161.34	-1.4	150.44	101.14	126.55	132.19	-3.6	3.25	161.23	152.27	101.58	128.28	133.88	185.37	159.34	177.02
Germany (58)	143.02	0.9	133.35	89.65	112.18	112.18	-1.7	1.85	143.16	135.20	90.20	113.90	113.90	150.40	128.37	131.88
Hong Kong (56)	289.59	-11.2	270.02	181.54	227.15	287.51	-11.2	4.34	294.97	278.57	185.84	234.68	293.10	493.01	267.15	461.56
Ireland (16)	208.45	1.1	194.36	130.67	163.50	186.42	-0.9	3.42	207.43	195.90	130.68	165.03	187.85	216.60	177.56	207.17
Italy (59)	81.49	8.7	75.98	51.08	63.92	96.86	6.7	1.63	79.67	75.24	50.19	63.38	95.91	97.78	67.25	88.16
Japan (484)	147.32	-6.1	137.36	92.35	115.55	92.35	-6.7	0.82	149.19	140.90	93.98	118.70	93.99	170.10	134.69	139.68
Malaysia (97)	423.75	-11.6	395.10	265.64	332.38	416.40	-11.7	2.02	434.06	409.94	273.47	345.34	426.87	594.76	423.75	477.86
Mexico (18)	1093.64	-22.8	1019.70	685.56	857.80	6808.56	-10.7	1.50	1127.14	1064.47	710.13	898.73	6759.47	2647.08	1026.56	2397.46
Netherland (19)	219.50	0.9	204.66	137.60	172.17	169.50	-1.6	3.41	217.99	205.87	137.34	173.43	170.69	223.30	191.26	203.25
New Zealand (14)	73.06	3.7	68.12	45.80	57.30	60.43	3.4	4.84	74.09	69.97	46.68	58.94	61.24	77.59	62.95	71.75
Norway (23)	209.84	-1.6	195.66	131.54	164.59	188.06	-3.9	1.84	208.83	197.22	131.57	166.14	189.69	214.65	177.53	195.03
Singapore (44)	333.19	-10.7	310.67	208.87	261.34	221.95	-11.4	1.93	341.04	322.08	214.86	271.33	228.27	401.36	294.68	333.53
South Africa (59)	301.75	-10.4	281.35	189.16	236.68	272.72	-9.1	2.44	301.79	285.02	190.14	240.10	274.74	342.00	205.55	280.13
Spain (38)	129.73	-1.7	120.96	81.32	101.76	128.98	-2.0	4.49	128.93	121.76	81.23	102.57	130.16	153.79	124.87	145.60
Sweden (48)	238.83	2.4	222.68	149.71	187.33	262.01	2.0	1.49	236.81	223.65	149.20	188.41	263.12	242.81	196.70	218.13
Switzerland (47)	166.62	0.9	155.35	104.45	130.69	131.09	-2.2	1.86	165.12	155.94	104.03	131.37	131.96	176.56	149.91	189.15
Thailand (46)	140.46	-11.2	130.96	88.05	110.17	138.70	-11.3	2.89	144.55	136.52	91.07	115.00	140.63	–	–	–
United Kingdom (205)	193.60	-0.6	180.51	121.36	151.86	180.51	-2.2	4.27	193.20	182.46	121.72	153.71	182.46	214.98	181.11	213.17
USA (513)	190.22	1.3	177.36	119.24	149.20	190.22	1.3	2.93	191.07	180.44	120.38	152.01	191.07	198.04	178.95	198.02
Americas (662)	175.22	0.6	163.37	109.84	137.43	147.04	0.8	2.88	176.09	166.30	110.94	140.10	147.68	–	–	–
Europe (723)	169.43	0.3	157.97	106.21	132.89	148.06	-1.7	3.15	168.69	159.31	106.28	134.21	149.43	178.58	160.59	173.53
Nordic (128)	229.96	2.5	214.43	144.16	180.38	213.51	1.4	1.39	228.07	215.39	143.69	181.45	214.59	233.91	197.70	211.08
Pacific Basin (809)	153.72	-6.4	143.33	96.36	120.58	100.47	-6.9	1.21	155.76	147.10	98.13	123.92	102.27	178.86	148.18	152.35
Euro-Pacific (1532)	160.17	-3.8	149.34	100.41	125.63	119.00	-4.7	2.06	161.05	152.10	101.47	128.13	120.88	175.14	158.25	161.01
North America (616)	186.14	1.1	173.56	116.69	146.00	185.99	1.2	2.92	187.04	176.65	117.84	148.61	186.86	192.73	175.67	190.01
Europe Ex. UK (518)	152.57	0.8	142.25	95.64	119.67	128.60	-1.4	2.51	151.71	143.27	95.58	120.69	128.88	158.12	144.12	149.32
Pacific Ex. Japan (325)	218.78	-8.2	203.99	137.15	171.60	191.64	-8.1	3.49	222.32	209.96	140.07	176.86	195.16	291.75	217.36	273.49
World Ex. US (1740)	160.69	-4.0	149.83	100.73	126.04	122.28	-4.6	2.07	161.60	152.62	101.81	128.57	123.94	176.65	160.40	163.17
World Ex. UK (2048)	167.04	-2.3	155.74	104.71	131.02	139.01	-2.8	2.18	168.04	158.70	105.87	133.69	140.43	178.59	164.27	168.20
World Ex. Japan (1769)	182.88	-0.4	170.51	114.64	143.44	173.03	-1.0	3.02	183.28	173.09	115.47	145.81	174.28	195.20	176.34	190.53
The World Index (2253)	169.37	-2.1	157.92	106.17	132.85	142.76	-2.7	2.38	170.26	160.79	107.27	135.45	144.23	180.80	166.19	172.11

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 129.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 154.07 (Pound Sterling) and 149.94 (Local). Constituent change during the week ending 20/1/94. Name change: American Barrick Resources now Barrick Gold (Canada).

EQUITY MARKETS: This Week

NEW YORK — Lisa Bransten

Data bring investors back down to earth



Source: FT Graphite

Sirens singing songs about steady monetary policy lured many investors on to the rocks last week. This week, investors are likely to be more wary as the reality sets in that the Federal Reserve will probably raise rates at the January 31 to February 1 meeting of its Open Market Committee.

Almost since the Fed raised interest rates by 75 basis points in November, the market has anticipated even more tightening, but fears of another rate increase were briefly allayed the week before last on the heels of weaker than expected data on consumer prices and retail sales.

The data had sent both the Dow Jones Industrial Average and the more broadly traded Standard & Poor's 500 up almost 2 per cent by last Monday, before new figures, indicating continuing inflationary pressures, brought investors down to earth.

By Friday, the stock market was close to where it had been before the mini-rally began, and the economic news due this week is not expected to cause another change of heart on Wall Street. Among data to be released are figures on durable goods orders and existing home sales, due on Wednesday, and a preliminary figure on gross domestic product for the fourth quarter of last year, due on Friday.

Economists expect these figures to continue to show the economy growing at a healthy pace, with fourth-quarter GDP up about 4.4 per cent over the third quarter.

The one factor that could change sentiment on the Street would be continued economic crisis in Mexico. Some analysts have speculated that the Fed could put off another round of tightening in order to help Mexico.

Mr John LaWare, a member of the central bank's board of governors, said last Thursday that the situation in Mexico would not affect the Fed's stance on monetary policy, but investors will be watching closely on Thursday as Mr Alan Greenspan, the Fed chairman, testifies before the Senate Foreign Relations Committee about the situation in Mexico.

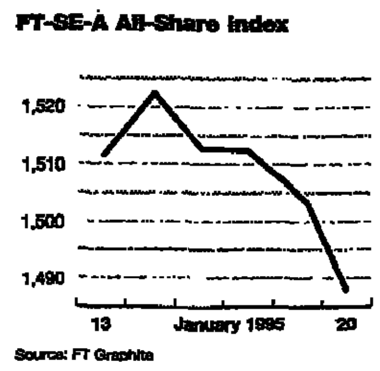
He has been lobbying lawmakers to support a loan guarantee package for Mexico proposed by President Bill Clinton.

Mr Greenspan is also scheduled to testify about the US economy to two other Senate panels on Wednesday and Thursday, but the testimony is not likely to change presumptions about interest rates because Mr Greenspan has generally discounted weak consumer price and retail sales figures when justifying the current round of tightening.

Thus, as is generally true in the middle of a cycle of monetary tightening, this week presents investors with uncertainty, despite the general consensus that there will be a rate increase.

LONDON — Terry Byland

Serious test of confidence in recovery



Source: FT Graphite

This week will present the stock market with a serious test of its confidence in the recovery of the domestic economy. The latest RPI and retail sales figures have been widely interpreted as a clear indication that base rates will move higher again sooner than expected. This, coupled with unimpressive trading news from the retail sector, at least frees market analysts from post-Christmas euphoria. The question now must be whether confidence in the recovery can survive in a distinctly colder interest rate climate.

The analysts community and the stock market seemed to be standing up well at the end of last week. The FT-SE 100 Share Index held on to the 3,000 mark on Friday morning, in spite of the heavy fall on Wall Street overnight. Retail trading volume, the most significant measure of genuine investment activity, remains comfortably in the £1bn plus range. Much of the most recent shake-out in equities reflected a single large portfolio trade by Goldman Sachs.

The market's relative resilience seems to be supported by the view that the UK economy and the investment trends which track it have changed; it may no longer be simply a question of boom and bust, with the first sign of rising interest rates sending fund managers in search of the exit.

BZW points out that the downgradings of company profit forecasts by City analysts traditionally seen in December has this time proved significantly less severe than in the past. While downgrades exceeded upgrades by almost two-to-one, "the magnitude of the revisions was small, with analysts mainly fine-tuning their estimates ahead of the year-end". In fact, analysts on balance slightly increased their estimates of aggregate corporate earnings, in spite of the number of individual downgrades.

S.G. Warburg takes up a similar point, saying that, although investors traditionally lighten holdings in industrial stocks at this stage in the economic cycle, to turn bearish now "requires the assumption of a quick move back into full recession", which does not seem to accord with wider views on the economy.

Consequently, Warburg advises avoiding being too negative on industrial stocks, even if the latest RPI data does increase the attractions of the consumer sectors, which can be expected to raise store prices while resisting their suppliers' attempts to do the same.

A further slide on Wall Street could undermine London. The Footsie still enjoys a differential of well over 800 points against the Dow Industrial Average. This week will show whether London can retain its faith in economic recovery or whether the prospect of higher interest rates will overwhelm the optimists.

International offerings

Household names bring primary activity to life

While equity issuance in the emerging markets has ground to a halt amid continuing nervousness, primary activity in Europe and the US came back to life last week with well-received offerings from Finnair and Nabisco Holdings.

Another US household name will hog the limelight this week, as British Telecom sells its 35.9m shares in AT&T, the American telephone giant. The offer represents about 2.3 per cent of AT&T's outstanding capital and, at Friday's price, is worth about $1.75bn.

The company will hold a three-day roadshow this week which kicks off today in London, Pricing is expected on Thursday.

Syndicate officials involved in the deal reported good demand for the stock last week. "Most people investing in US stocks have to own AT&T, which features prominently in the index," said one syndicate manager. But others noted that the stock has seen healthy buying recently and is already widely held. "There won't be a lack of demand, but investors won't kill for it either," said one dealer.

Fierce competition among investment banks to win the AT&T mandate led to a tight fee structure on the deal, with gross fees totalling only 1¼ per cent of the overall issue size.

"Everyone wanted this deal – 35.9m shares in AT&T are a huge boost in the league tables," said one banker.

On the other hand, one trader noted, fees are usually lower anyway on placements of secondary shares than they are on IPOs or share issues by listed companies.

Fees for joint book-runners Goldman Sachs and Morgan Stanley have also been capped to help motivate syndicate members to get the shares placed; each lead manager will receive no more than 30 per cent of the selling concession.

Meanwhile, on Friday, the IPO for Nabisco Holdings was priced at $24.5 a share – the mid-point of the indicated range. The issue will raise $1.1bn for the packaged foods company through the sale of 45m shares, 9m of which are being offered internationally. Lead manager Goldman Sachs said the deal has been substantially oversubscribed.

In Europe, Finnair successfully completed the sale of 10m shares to international investors, priced at FM35 a share. The deal met with healthy demand and was more than twice oversubscribed, according to lead manager Kleinwort Benson.

Neste, the state oil and petrochemicals group, which had planned to sell 2m shares of its holding of 5.7m shares in Finnair, decided not to proceed because it wanted to get a higher price.

In the emerging markets, a slew of issues slated for the first quarter has been delayed. Latin American markets remain burdened by the fallout from the Mexican peso devaluation. In India, political jitters and supply worries have caused issuance to dry up.

"There are a lot of deals in the pipeline, but none of them are likely to get done any time soon," said a New York dealer. "It's so obvious they're not getting done that issuers don't even bother to announce the postponements."

While most agree that planned Mexican deals – including large offerings from Bancomer and Banacci – are likely to be delayed for months, even the more peripheral countries are being hit by investors' reluctance to invest in the region and issuers' unwillingness to raise funds at unfavourable terms.

"Eventually, issuers will bite the bullet because they need the money, and investors will return because they have a clearer picture of which markets and stocks offer value – but that will take time," said the dealer.

Conner Middelmann

OTHER MARKETS

ZURICH

Investors are hoping that 1994 sales figures from Nestlé, expected mid-week, will help to breath some life into the market. Last week's figures from Roche were well received, but did not provide impetus for the broad market.

After a lacklustre performance, Nestlé's shares picked up after third-quarter results were announced along with some bullish comments on volume growth from the finance director.

Among the company's supporters, Mr Richard Newboult at Lehman Brothers accepts that, in absolute terms, the shares have made little headway over the past two years, restrained by pedestrian earnings growth.

However, he expects earnings momentum to recover during 1995 and regards Nestlé as the most attractive and reliable investment in the food manufacturing sector.

Thanks in part to its large exposure to developing markets, Nestlé's volume growth should be among the highest in the sector, averaging 3.7 per cent over the next four years. Combined with restructuring-driven cost savings, falling provisions, and strong cash flow, this should generate strong growth in eps of 13 per cent a year between 1994 and 1998, says Mr Newboult.

MILAN

Italian equities face another rocky week as the new prime minister, Mr Lamberto Dini, goes to parliament for a confidence vote that will decide whether his government stands or falls.

The market mood swung from euphoria last Monday and Tuesday, as Mr Dini named his government of academics, lawyers and bankers from outside parliament, and back to depression on Wednesday and Thursday as opposition built up from Mr Silvio Berlusconi's Freedom Alliance coalition, which was toppled last month when the Northern League party quit the partnership.

FRANKFURT

Siemens releases first-quarter figures on Tuesday. The company forecast in December that group net profit before extraordinaries would rise by 20 per cent in 1994-95 to DM2bn.

UBS reckons that after two years of being underweight in the retail sector, the time has come to adopt a more positive view.

It has upgraded its forecast for private consumption in 1996 and says that after substantial restructuring efforts at individual companies, retail shares could be among the best performers this year. It likes AVA and Kaufhof.

TOKYO

Trading this week is likely to continue to respond to last week's earthquake in Kobe, writes Emiko Terazono.

Overseas investors sold holdings last week in high technology shares, partly due to technical reasons – the sector had been one of the best performing last year – and partly because of the prospects of the negative effects on production suspensions as a result of damage to the manufacturing bases in the Kansai area. Meanwhile, domestic investors dabbled in construction stocks, which will benefit from the reconstruction of Kobe.

On a macro economic level, many of Tokyo's analysts believe the overall impact of the earthquake will be negative during the first half of the next fiscal year and positive for the latter half, hence neutral to overall growth for fiscal year 1995.

However, on the stock market, the devastation has depressed confidence. Although trading volumes are picking up, the negative impact on investor psychology is expected to last for some time.

Ms Kathy Matsui, strategist at Goldman Sachs in Tokyo, says the big question is how investors will react to the declines in blue chips which currently present bargains due to last week's sell-off.

HONG KONG

Equities face another volatile week as reports of the worsening health of Deng Xiaoping, China's paramount leader, continue to unsettle investors, writes Louise Lucas.

The rumours, which have been growing in both intensity and detail, lopped some 4.3 per cent off the benchmark Hang Seng Index last Thursday and Friday, after it had advanced by a cumulative 5.2 per cent in the previous three trading sessions.

Also set to drag prices lower is the expectation of a rise in US interest rates at the end of the month, which coincides with the Hong Kong market's close for the lunar new year, when by tradition, the market normally rises.

Hong Kong analysts are looking for an increase of at least 50 basis points, which would feed through to the colony via the currency peg.

Likewise, weakness in the US dollar will hit the Hong Kong currency. Interest rate sensitive stocks, together with China plays, were among the hardest hit last week.

A government land auction on Wednesday is also unlikely to provide fodder for the optimists, and the expected poor result stands to further batter the share price of property companies.

Compiled by Michael Morgan

EMERGING MARKETS: This Week

The Emerging Investor / **Peter Montagnon**

Dominoes, Asia, and the Mexican problem

Asia hands were never inclined to believe the domino theory, by which the collapse of confidence in Mexico was then supposed to undermine confidence in Asian emerging markets.

Last week, they were only partially proved right.

The main markets in Asia recovered at the start of the week, but ended on a weak note after new worries about Mexico, US interest rates, and the health of Deng Xiaoping, China's leader.

The shock which had earlier forced several Asian countries to increase money market rates and intervene to defend their currencies will take some time to forget. It has reminded investors that gains in domestic currency can be wiped out – and more – by devaluation. Suddenly they have been made rudely aware that there is weakness as well as strength in Asian economies.

The logical result would be increasing differentiation between the region's markets, with the advantages accruing to those that offer solid value.

In practice, though, they all remain vulnerable to a flight to quality in international markets. As before, a sustained rally in Asian equities is only likely when US interest rates have finally peaked.

"Asia is not Mexico in a fundamental sense," says Mr Peter Churchouse of Morgan Stanley in Hong Kong. "You've got economies that don't have huge current account deficits. You don't have huge budget deficits. You don't have any fundamental problems that suggest there will be downward pressure on currencies. However, the Mexican problem is going to have an effect on the Asia-Pacific markets simply because of the behaviour of US fund managers."

On the surface, the reasons for the selling which hit some Asian markets two weeks ago were eminently plausible. Indonesia's debt is as big as that of Mexico, both in absolute terms and as a proportion of exports. Thailand has a lot of short term bank borrowings. Hong Kong is always vulnerable to shifts in sentiment because it is the region's most liquid market.

Brokers who specialise in Asia tend to view with contempt those who go on to dismiss the region's prosperity

There are technical reasons, too, why Asia was caught up in the selling pressure. Latin America may be the reason why US retail investors are inclined to withdraw money from emerging market mutual funds. But to meet those withdrawals the funds will have to liquidate Asian holdings as well, or their weightings will fall out of kilter.

Brokers who specialise in Asia tend to view with contempt those who go on to dismiss the region's prospects. Indeed, one of the striking features about the speculation in the currency markets was the robustness of the response. Most countries have substantial reserves and are well placed to defend their parities.

True, there are reasons for concern about Hong Kong equities: the uncertainty of the Chinese political and economic outlook; and weakness in the property market as interest rates rise.

Fresh rumours about Deng Xiaoping brought a further fall on Friday. But even if currency pressures were to intensify it seems unlikely that Hong Kong would abandon its peg to the US dollar. Both the colonial government and China are wedded to currency stability.

Paradoxically, that might eventually be worse for equities than letting the currency slip. The risk might be that, if confidence really ebbs, interest rates have to rise sharply, exacerbating the weakness in the property market and curbing Hong Kong's high growth rate.

But the fears for other markets which surfaced at the start of the month do look overdone. Indonesia's debt may be high, but its growth rate is higher than that of Mexico, its current account deficit much smaller as a proportion of gross domestic product, and its currency has not been held up artificially.

Thailand also has a strong growth rate, low inflation and a manageable current account deficit.

The swap facility arranged with foreign banks at the height of the currency speculation is a reminder of the high calibre of the technocrats who run its financial system.

Thailand remains very much in favour among specialist brokers like Mr Manu Bhaskaran, Singapore-based strategist at Crosby Securities. "Thailand is at the beginning of a long cycle of what we think is accelerating growth of both the economy and corporate earnings," he says. Besides, the news is not all bad. Last week saw the debut of Electricity Generating (EGCO), the newly privatised power company. It put on a stellar performance, more than doubling its issue price.

This may simply be a sign that the issue was grotesquely underpriced, but enthusiasts like Mr David Bates at Asia Equity say they are advising clients to keep buying on the basis that power is a growth industry in Thailand. Such excitement helps offset the international gloom.

Similarly, Malaysian Airlines responded favourably to its route-sharing agreement with Virgin Atlantic.

Malaysia is also a market with sound fundamentals, according to many brokers. But it is expected to underperform Thailand. The longer term earnings outlook is less attractive, not least because Malaysia seems set to raise interest rates sharply this year to ward against inflationary pressures. One consequence may be that its currency, which was held down last year, is allowed to appreciate.

Less easy to call are the markets in Indonesia and the Philippines. Brokers are optimistic about earnings growth. Morgan Stanley's Mr Churchouse reckons that it could reach 25 per cent in both countries this year, but much depends on Indonesia being able to keep non-oil exports going and ward off inflation. In this regard, some consider this month's budget with its 12 per cent increase in spending as too loose.

Filipino equities are already trading on a relatively high multiple of around 17 times this year's earnings, according to Crosby Securities. That leaves little room for setbacks on the currency and economic front, and with the country only just out of its earlier debt crisis the peso could be vulnerable to speculative attack.

Asia's best hope is that US pension funds will continue their long-term diversification into overseas markets regardless of the present hiccup. But the problem is that investors are not obliged to buy Asian shares. Two years ago they were prepared to do so almost without looking at the underlying story. But now even the soundest emerging markets must have a really good story to tell.

Ten best performing stocks

Stock	Country	Friday 20/1/95	Week on week change $	%
Barito Pacific Timber	Indonesia	1.4661	0.2353	19.12
Companhia Vale do Rio Doce	Brazil	0.1897	0.0219	13.05
Banco Wiese	Peru	4.3678	0.4844	12.47
First Phillipine Holdings	Philippines	2.8803	0.3089	12.01
HN Sampoerna	Indonesia	4.9509	0.5114	11.52
Corcemar	Argentina	5.7489	0.5899	11.43
Thai Airways International	Thailand	2.2132	0.2251	11.32
White Martins	Brazil	0.0153	0.0015	10.78
Aluminium of Greece	Greece	97.4883	9.3826	10.65
Aracruz Celulose (Pfd)	Brazil	2.5339	0.2407	10.50

Source: Baring Securities

Screen-based trading for Bombay market

Mr Ron Brown, the US Commerce Secretary, inaugurated a screen-based trading system at the Bombay Stock Exchange last week, writes Nancy Dunne in Bombay.

Feeling the heat of competition from the two-year-old automated National Stock Exchange, the BSE moved a step closer to paperless trading. Mr Brown became the first "customer" to try the new "mark trading" system with an order to purchase 100 shares of the State Bank of India.

He praised the reforms of Mr PV Narasimha Rao, the prime minister, and said he had been assured that liberalisation would be continuing. However, officials of Asia's oldest stock market are worried about the political reaction to these reforms.

Mr Rao's Congress Party has lost two recent state elections, and may well lose more this year.

"Investors worry that with the Congress Party not in favour the reforms might be slowed," said Mr Anand Jhaveri, a member of the exchange.

"International investors also seem to be losing their faith in emerging markets from the Mexican debacle."

Other members said that US actions to support the peso could provide the foundation for recovery although the BSE 30 share index down 55.55 on Friday at 3,600.53, had already fallen by more than 8 per cent this year. "It should bottom out in the next 1½ months," said Mr Hasu Shah, president of Hersha Enterprises.

The BSE, which does 70 per cent of the national stock trading volume, will gradually extend its trading hours from the current 2½ to 6. Once the system is fully automated, Mr Bhagirat Merchant, exchange president, expects trading volume to quadruple and hopes to create a national stock market system.

Peru

The collapse of investor confidence in Mexico has led to the postponement of Peru's next scheduled international placement, writes Sally Bowen in Lima.

"We've decided to hold off until the market stabilises," said a spokesman from Copri, the high-level government privatisation office. "There's no rush, and the international investors aren't going to disappear." A future date "will be defined by market conditions," he said.

Baring Securities emerging markets indices

Index	20/1/95	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (301)	140.79	-2.75	-1.92	-25.09	-15.13	-17.24	-10.91
Latin America							
Argentina (20)	83.24	-1.64	-1.93	-13.35	-13.82	-2.86	-3.33
Brazil (21)	187.78	+0.36	+0.19	-45.81	-19.61	-21.60	-10.31
Chile (12)	201.98	-5.46	-2.63	-15.95	-7.32	-9.59	-4.53
Mexico (25)	75.69	-6.21	-7.58	-34.62	-31.38	-21.94	-22.47
Peru(16)	733.35	-6.36	-0.86	-168.66	-18.70	-115.32	-13.59
Latin America (94)	121.05	-3.69	-2.96	-32.67	-21.25	-17.72	-12.77
Europe							
Greece (16)	84.45	-1.53	-1.78	-3.05	-3.48	-2.55	-2.93
Portugal (18)	115.44	-3.04	-2.57	-0.34	-0.29	-0.84	-0.72
Turkey (21)	68.28	-4.16	-5.75	-12.23	-15.19	-7.83	-10.29
Europe (55)	94.17	-2.88	-2.96	-4.39	-4.46	-3.53	-3.61
Asia							
Indonesia (26)	125.36	+4.11	+3.39	-7.50	-5.65	-8.33	-6.23
Korea (23)	127.08	+0.65	+0.52	-13.71	-9.74	-12.80	-9.15
Malaysia (23)	191.56	-1.37	-0.71	-15.42	-7.45	-19.30	-9.15
Pakistan (11)	96.29	-5.90	-5.78	-2.80	-2.62	-9.91	-9.33
Phillippines (12)	245.25	+0.71	+0.29	-33.33	-11.96	-36.88	-13.07
Thailand (25)	230.62	+2.03	+0.89	-17.97	-7.23	-21.02	-8.35
Taiwan (32)	164.90	-6.41	-3.74	-14.32	-7.99	-19.25	-10.45
Asia (152)	190.88	-1.02	-0.53	-16.46	-7.94	-19.74	-9.37

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

CURRENCIES — James Harding

Dollar and lira stay focus of attention

The dollar's recent weakness, felt most keenly against the D-Mark, is expected to continue until investors are convinced that US interest rates will be raised by an adequate amount at the end of the month.

The earthquake in Japan, the peso crisis in Mexico and the political turmoil across Europe have made the D-Mark the market's favourite currency.

The lira's fortunes will rest on the ability of Mr Lamberto Dini, Italy's new prime minister, to win a confidence motion in parliament this week. "If he gets the vote the lira could get back to L1,045 against the D-Mark, but if he loses all hell could break out, with new highs for the D-Mark," one analyst forecast.

The vote on a rescue package for the peso in the US Congress is likely to have a big impact on the Mexican currency. In turn, concerns that US commitments to Mexico may dilute the Fed's resolve to tighten monetary policy could depress the dollar.

"If we are going to see a significant rally in the dollar, we'll have to see something out of the Fed first," said Mr Jeremy Hawkins, a senior economic at the Bank of America.

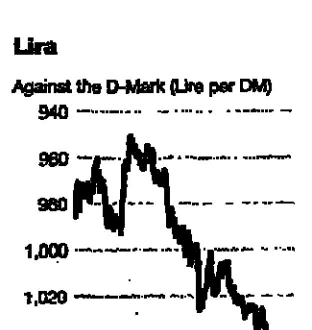
Investors will pay close attention to the US fourth quarter GDP figures, issued on Friday, for signs of persistent inflationary pressure.

The dollar's slim chance of a rebound depends on a dip in the D-Mark. Some analysts said that on the basis of German fundamentals and the market's technical factors, the D-Mark did look as if it were overbought.

Uncertainty in Japan, because of last week's earthquake and the possibility of another, is likely to be reflected in a mildly softer yen. However, the global trend away from risk, as investors remain wary of the currencies of Asia's emerging economies, could underpin the yen.

It could prove a lively start to the week for sterling. Fourth quarter GDP figures today, followed by the CBI's industrial trends survey tomorrow, will shape traders' views on whether an interest rate rise is likely in early February or March.

Lira



Source: Datastream

WORLD BOND MARKETS: This Week

NEW YORK — Richard Tomkins

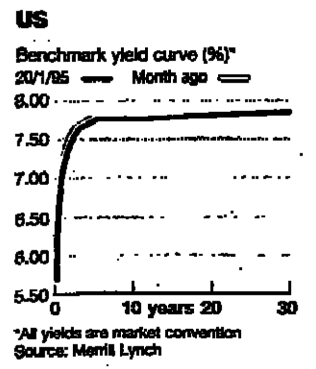
US Treasury issues took a battering in the US credit markets at the end of last week amid a barrage of economic data suggesting that inflationary pressures were still running strong. The 30-year bond fell ¾ points on Friday to end the week at $95\frac{17}{32}$, yielding 7.89 per cent.

The most significant factor on the bond market's horizon is the Federal Reserve meeting starting on Tuesday of next week. One issue troubling the market is the possibility that the Fed will be dissuaded from firming monetary policy out of concern for the Mexican crisis.

However, most analysts are confident that the Fed will push up short-term interest rates by half a percentage point – their main residual concern is that this will be insufficient to stem inflationary pressures.

Sentiment could shift in the coming week if economic data suggest that these pressures are weakening. However, the main indicator of the week – Friday's report on fourth-quarter gross domestic product – is expected to confirm that growth accelerated, in spite of the Fed's earlier turnings of the monetary screw.

The consensus among forecasters monitored by MMS International is for a 4.4 per cent increase in national output – though inflation, as measured by the GDP deflator, is expected to have remained calm at 2.3 per cent.



*All yields are market convention
Source: Merrill Lynch

LONDON — Philip Coggan

Wednesday's auction of the 20-year bond will be the highlight of the gilts market this week, as the Bank of England tests demand for long-dated stock.

Ms Katy Peters, senior economist at Daiwa Europe, thinks there is likely to be sufficient investor demand for the stock, particularly from long-term holders.

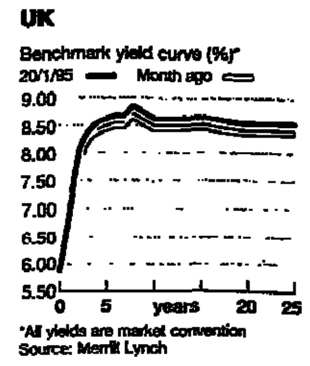
However, the market's nerve may be tested ahead of the auction by two key pieces of economic data. Today's figures on fourth-quarter gross domestic product are expected to show a 0.7 per cent quarter-on-quarter rise.

Mr Nigel Richardson, head of bond research at Yamaichi International (Europe), does not think that will persuade investors that the UK economy is slowing down.

The Confederation of British Industry's industrial trends survey, due tomorrow, will be scanned for further signs of inflationary pressure (via the price expectations question) and economic strength (via the optimism, orders and output questions).

There is also some nervousness ahead of meetings which will decide the future of US and UK interest rates; the Federal Reserve's Open Market Committee, starting on January 31, and talks between Mr Eddie George and Mr Kenneth Clarke on February 2.

Last week's statistics appeared to make interest rate increases in both countries more likely.



*All yields are market convention
Source: Merrill Lynch

FRANKFURT — Andrew Fisher

With M3 growth on the wane and the next set of inflation figures expected to be not far above 2 per cent – the Bundesbank's medium-term goal – the German interest rate scene looks peaceful.

Even last week's brief, and misleading, bout of foreign speculation about an easing of repo rates (now at 4.85 per cent) failed to disturb the calm.

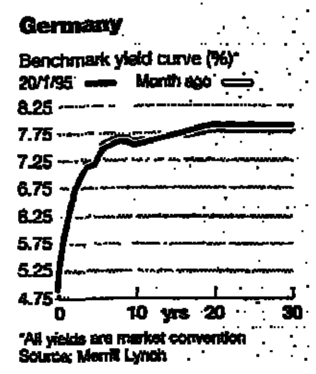
But some forthcoming statistics will not be all they seem. December's M3 expansion rate is expected to be around 5 per cent, keeping it within the 4 to 6 per cent target range finally reached in November.

However, the volume of money moving into money market funds has made the M3 picture look rosier than it really is; wealthy investors have been shifting more assets into these funds to escape an increase in the wealth tax.

Because last year's rise in fuel tax will have fallen out of the calculation, inflation for the year to end-January is expected to be around 2.4 per cent. However, Mr Stefan Schneider, an economist at S.G. Warburg, expects a rise towards 3 per cent by the year-end.

Industry is now operating above its long-term average capacity and service sector inflation was 4.5 per cent last year.

Thus bond dealers are watching to see when the Bundesbank will tug the monetary reins again.



*All yields are market convention
Source: Merrill Lynch

TOKYO — Emiko Terazono

With many analysts focusing on the positive impact to economic growth of last week's Kobe earthquake, such as the city's reconstruction, and continued easy money market operations by the Bank of Japan, bond prices are likely to fluctuate in a narrow range this week.

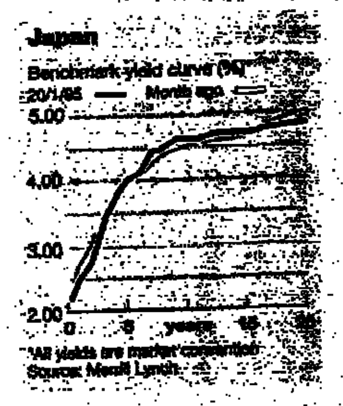
The immediate impact of the earthquake on investor sentiment seems to be have been more negative and while the medium to long-term economic effects may indeed be positive, in the short term it is unlikely to boost funds into the bond market.

However, as the initial shock wears off, investors are likely to realise that supply concerns on the bond market relating to the finance need for relief efforts will not be as large as television images of the destruction imply.

Most of the estimates of the extra bond issues next fiscal year are around Y1,000bn to Y2,000bn. These issues are likely to be construction bonds rather than deficit finance bonds, and the impact on the market is likely to be limited in the medium to long term.

"We do not expect 10-year bond yields to rise much above 5 per cent because Japan is currently operating well below capacity," says Mr Geoffrey Barker, economist at Baring Securities in Tokyo.

Capacity utilisation was 74 per cent in November, so the market is likely to be free from inflationary pressures.



*All yields are market convention
Source: Merrill Lynch

Callable bonds

Fannie Mae casts a wider investor net

The launch by Fannie Mae of its $1bn first global callable bond marked a bold attempt by the US mortgage lender to widen its investor base. It is also an example of a trend towards globalisation of capital markets.

Callable bonds have been a feature of the US domestic market since the late 1980s and Fannie Mae, the US Federal National Mortgage Association, is trying to expand its investor base for the callable bond into the euromarkets.

The $1bn bond, which was launched last week, was issued under the agency's $20bn debt programme announced late last year, so there are likely to be more callable issues from Fannie Mae. Ms Linda Knight, its treasurer, said: "This is a programme, not a one-off deal."

Fannie Mae is the largest supplier of funds for American home mortgages and one of the world's biggest issuers of long-term debt.

It has borrowed $100bn since the end of 1992, and wants to expand its $214bn portfolio of mortgages.

Other US agencies, such as the Federal Home Loan Mortgage Corporation and the Federal Home Loan Bank, also have an interest in widening the potential market for callable bonds. There is around $107bn of agency callable debt in the US domestic market.

A callable bond differs in one respect from a "bullet" bond. The "bullet" bond investor receives the usual coupon payments throughout the life of the bond and the full value of the bond at maturity. With a callable bond, however, the issuer has the right to redeem the bond at some point during its life.

This feature is attractive to bond issuers because it allows them to refinance at lower coupon levels in a falling interest rate environment.

However, it makes the bond less attractive to investors, because if the bond is redeemed, or "called", they lose the advantage of the higher interest rate and must also reinvest their money at lower interest rates.

The coupon on the bond is, therefore, generally higher to reflect this disadvantage. One way to look at the call option is that it is a concession the investor sells to the borrower for a price.

This makes callable bonds more difficult to value, and consequently means euromarket investors have hitherto had a rather jaundiced view of them.

One European fund manager described them as: "Neither fish nor fowl, and they have neither rhyme nor reason. In a bull market they under-perform and in a bear market the call doesn't do you much good."

Fannie Mae has set out to change that view. As one of the biggest issuers of debt in the world, it obviously has an interest in widening its investor base.

Mr Jim Quigley, global debt syndicate manager for Merrill Lynch, which, with Lehman Brothers, handled the $1bn global bond, said: "The agencies are making US investors realise there is competition for the product."

To create this competition for the callable bonds from Fannie Mae, Lehman Brothers, which is arranging the $20bn debt programme, has been engaged in a five-month process of showing investors how to value a callable bond.

This has involved setting up a series of pages on Bloomberg, the interactive screen information service. Mr David Levine, manager of debt marketing strategies at Fannie Mae said: "This will give greater price transparency."

"It has taken us a number of years from 1988 to develop the callable market in the US, and the Bloomberg facility will help overseas investors get comfortable with valuations. They can run their own interest rate and volatility scenarios."

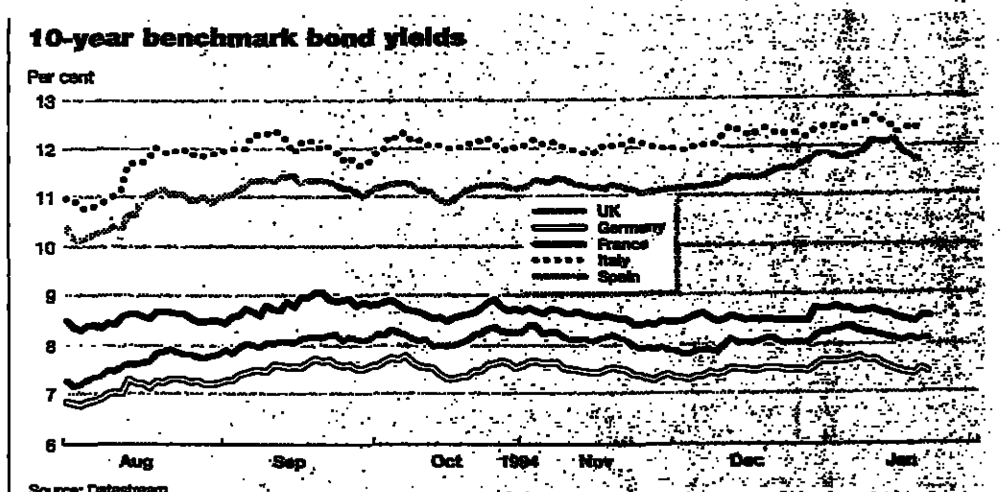
The move by Fannie Mae to globalise an instrument which has been largely confined to the US domestic market has been observed by other issuers.

The past week saw another callable eurobond issue from a US agency. J.P. Morgan raised $500m for the Federal Home Loan Bank, which beat Fannie Mae to the title of the first global callable by one working day. Around 35 per cent of the $1bn Fannie Mae deal was sold outside the US, and 80 per cent of the FHLB issue.

This suggests that around $750m of callable US agency paper was sold to euromarket investors within a week. This is a drop in the ocean of total callable debt, but the agencies can feel justified in seeing it as a good start.

Martin Brice

10-year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	4.75	1.75	4.50	5.40	[illegible]	6.25
Overnight	5.31	2.22	4.83	5.31	[illegible]	6.12
Three month	5.88	2.25	4.94	5.89	[illegible]	6.56
One year	7.00	2.46	5.88	6.62	[illegible]	7.81
Five year	7.77	3.87	7.35	7.64	[illegible]	8.51
Ten year	7.79	4.71	7.53	8.19	[illegible]	8.66

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	[illegible]	Open int.
Jun	99-30	99-07	-0-24	100-00	[illegible]	[illegible]	377,856
Sep	99-18	98-25	-0-24	99-18	98-24	[illegible]	19,177
Dec	99-05	98-17	-0-24	99-06	98-17	91	1,482

UK government issues

Long-dated paper adds liquidity

The Bank of England's announcement of the terms of Wednesday's auction of its new 20-year bond provided the main focus of interest in the gilts market last week. The new paper is the first long-dated bond to be issued by the government for almost two years.

However, it could also have a broader significance, with its terms giving a clue to the conclusions of a review of debt management arrangements launched by the Treasury in November.

Analysts insist that it forms part of an agenda of reform designed to make the gilts markets more attractive to investors – especially from abroad – and reduce the government's cost of funding.

The bank announced that £2bn of new stock would be auctioned to investors next Wednesday. The bonds, maturing on December 7 2015, carry an 8 per cent coupon – which surprised the markets.

The authorities have recently argued that at the long end of the curve yields are unduly high and exaggerate inflationary pressures.

"Many had expected the bank to avoid that area for the time being rather than endorse levels of yields that have yet to fully reflect official forecasts," explains Mr Nigel Richardson, head of bond research at Yamaichi International (Europe).

He suggests that the decision, therefore, has more to do with the efficient operation of the gilts market than a view on the appropriate level of yields.

"Building up a benchmark 20-year issue will increase the liquidity at the longer end [of the yield curve] and help remove distortions related to the UK's idiosyncratic supply policy," he says.

The 20-year issue matures on the same day and month as five and 10-year gilts issued last year, implying that it forms part of plans to introduce bigger benchmark issues, which would provide greater liquidity.

Last September, the bank auctioned 10-year stock carrying an 8½ per cent coupon and maturing on December 7 2005. In October 1994, the bank followed up with an issue maturing on December 7 2000 carrying an 8 per cent coupon.

Mr Simon Briscoe, bond analyst at S.G. Warburg, says the authorities may introduce a programme of conversions, through which investors could be channelled into these and other benchmark issues.

At present, some 60 gilt issues of differing maturities and dates are traded, but although there are a number of issues of £7bn to £8bn in size, the market lacks those issues of the size typically traded in European markets.

Mr Briscoe argues that to stimulate liquidity, issues of more than £10bn are needed.

The establishment of benchmarks could well be accompanied by another reform – the introduction of a more structured system of regular auctions along US lines.

"Each month, there is a great deal of debate when the stock is going to come, so the overall level of uncertainty is higher than would otherwise be the case," says Mr Richardson, arguing that this is pushing up the cost of funding. "Whenever there is uncertainty, investors will demand additional risk premium."

Beyond these relatively modest moves, the coincidence of coupon dates between the new issue and other key stocks may also be part of a strategy to establish a market in strips – paper created when coupons are separated from the principal of a bond.

In a research note published last week, J.P. Morgan said the introduction of a market in strips was inevitable. Such a system, which exists in the US, French and Canadian government bond markets, should also help reduce funding costs.

Two types of zero-coupon instruments are created by stripping coupons from underlying principal, those based on the principal itself and those based on the coupons.

Demand for such issues could come from a number of different quarters. Pension funds or insurance companies which sell annuity products, for example, would provide a ready market for the paper based on the coupons (which give an investor income but no capital appreciation).

Investors would be prepared to pay more for strip products which would more accurately meet their needs, suggest analysts. "The sum of the prices they are prepared to pay for the individual components of a stripped bond may be greater than the price that the bond would command in a market where bonds are not stripped," says Mr David Boal, gilt product manager at J.P. Morgan.

However, just as is the case with the introduction of a gilts repurchase or repo market, another reform on the agenda – the introduction of strips – could be complicated by tax considerations. The authorities would need to modify rules on the taxation of deeply discounted bonds.

"The fact remains that fundamental changes to taxation would be required ... It is by no means clear that such changes are on the cards," cautions Mr Kevin Adams, UK bond strategist at BZW Strategy.

Richard Lapper

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Grand Metropolitan(a)§	710	Jan.2000	6.50#	100.00	-	-	Morgan Stanley Intl.
Federal Natl.Mtge.Assoc.(d,l)	1bn	Feb.2005	8.50#	100.00R	8.500	+80(7¾%-04)	Lehman/ Merrill Lynch
Eli Lilly & Co., Tranche A	200	Feb.2000	8.125	99.83R	8.168	+37½(7¾-99)	Goldman Sachs Intl.
Eli Lilly & Co., Tranche B	150	Feb.2005	8.375	99.78R	8.408	+55(7¾%-04)	Goldman Sachs Intl.
Sovereign Inv.United Secs.‡	200	Oct.2001	(e)	100.125	-	-	Mitsubishi Finance Intl.
Korea Development Bank	500	Jan.2001	8.65#	99.94R	8.663	+89(W 5yr)	CSFB/Salomon Brothers
GECC	300	Jan.2000	8.00	99.57R	8.108	+20(W 5yr)	Swiss Bank Corp.
Gen Finance Luxembourg(a)‡	300	undated	(e1)	98.675R	-	-	Merrill Lynch Intl.
Crédit Local de France(q)	100	Jan.1998	8.125	100.40R	7.970	+17(7¾%-97)	Swiss Bank Corp.
UBS Finance(q)	300	Feb.2000	8.32	100.00R	8.320	+40(W 5yr)	UBS
Morgan Guaranty Trust Co.(q)	200	Feb.2000	8.40	100.00R	8.400	+45(W 5yr)	JP Morgan Securities
Helaba Finance	200	Feb.1998	8.00	100⅛R	7.976	+20(7¾%-97)	JP Morgan Securities
YEN							
OKB★	40bn	Feb.2001	4.30	100.00R	4.30	-	IBJ International
European Investment Bank★	75bn	Feb.2001	4.25	100.04R	4.242	-	Nikko Europe
STERLING							
Ford Credit Europe(f)‡	100	Feb.2000	(f1)	99.77R	-	-	NatWest Capital Mkts.
European Investment Bank(s)	500	Aug.2017	8.75	97.832R	8.987	+28(8¾%-17)	HSBC Markets
Bradford & Bingley B/S(a)‡	100	Feb.2000	(o1)	100.00R	-	-	Lehman Brothers Intl.
D-MARKS							
Depfa Bank(b)‡	1.5bn	Feb.1997	(b1,l)	100.095	-	-	Trinkaus & Burkhardt
KfW Intl.Finance(c)	500	Jan.2000	7.50	100.80R	7.303	+15(7%-99)	Deutsche Bank
Kingdom of Sweden‡	1.5bn	Feb.2000	(f)	99.967R	-	-	Deutsche Bank
DSL Finance	500	Feb.2000	7.375	100.06R	7.360	+15(7%-99)	JP Morgan
Sudwest. LB Cap.Mkts.(l)	500	Feb.1999	7.125	99.85R	7.30	+8(5¾%-99)	CSFB/ SBC Frankfurt
Soc.Gén.Acceptance	200	Feb.1999	7.25	99.75R	7.324	+17(5¾%-99)	JP Morgan
Province de Quebec‡	1bn	Feb.2000	(g)	99.70R	-	-	Commerzbank/ Merrill
Deutsche Bau & Boden Bank‡	100	Feb.1999	(f,l)	99.95	-	-	Trinkaus & Burkhardt
LUXEMBOURG FRANCS							
Eksportfinans(h)	2bn	Jan.2000	8.00	102.70	7.33	-	ABN Amro/Paribas Lux.
Cregem International Bank(i)	2bn	May.1998	8.00	102.75	7.20	-	Cregem Intl. Bank
De NIB(h,l)	2.5bn	May.2001	8.125	102.50	7.59	-	BGL
Eurofima	3.5bn	Mar.2005	8.25	101.875	7.971	-	BIL/ Crédit Européen

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
FRENCH FRANCS							
Royal Bank of Scotland(j)	1bn	Aug.1997	7.625	99.863R	7.60	+28(8½%-97)	Merrill Lynch Finance
SWISS FRANCS							
City of Vienna, Tranche 1	200	Feb.1999	5.375	102.65	4.634	-	Credit Suisse
City of Vienna, Tranche 2	100	Feb.2000	5.375	102.80	4.778	-	Credit Suisse
NEC Corp(k,a)★§	500	Mar.1999	1.00	100.00	-	-	Swiss Bank Corp.
Bayerische Hypobank	100	Mar.1998	5.50	102.65	4.535	-	Merrill Lynch Cap.Mkts.
Daimler Benz North America	100	Feb.1998	5.375	102.60	4.430	-	Credit Suisse
World Bank	200	Feb.2000	5.375	102.80	4.733	-	UBS
GUILDERS							
SNS Groep	350	Feb.2002	7.75	99.25R	7.894	+34(8¼%-02)	Nibcrediting Fin. Mkts.
GECC	300	Feb.1998	7.00	99.90R	7.038	+30(8½%-97)	Rabobank/ SBC Ned.
BNV	200	Mar.2000	7.50	99.88R	7.530	+19(8¾%-00)	ING Bank
De NIB	200	Feb.1999	7.375	99.90R	7.405	+14(6¾%-99)	ABN Amro/ Nibcrediting
Sudwest. LB Capital Mkts.	200	Feb.1998	7.00	99.95R	7.019	+25(8½%-97)	ABN Amro/ CSFB
Philips Electronics	300	Feb.2005	8.25	99.15R	8.379	+70(7¼%-04)	ABN Amro Bank
Crédit Local de France	250	Mar.1998	7.00	99.79R	7.080	+30(6¾%-97)	ING Bank
AUSTRALIAN DOLLARS							
Swedish Export Credit★	100	Feb.1998	5.00	88.25	9.700	-	Daiwa Europe
Queensland Treasury Corp.★	200	Feb.1997	zero	82.84	9.870	-	Daiwa Europe
PESETAS							
European Investment Bank(s)	15bn	Dec.2009	11.60	101.475	-	-	Banco Central Hispano

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ɸWith equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Conversion price: 497p. FX: 1.5735£. Callable after 3 yrs, subject to 130% hurdle, at par. b) Pfandbrief series 325. b1) 3-mth Libor flat. c) Issue launched 9/1/94 was increased to DM1.5bn. d) Callable from 1/2/00 at par. e) 6-mth Libor +30bp. Short 1st & long last coupons. f) 3-mth Libor +⅛%. g) Pfandbrief series 431. g1) 2-mth Libor flat. h) LFr1½bn deal launched 9/1/95 at 102.30% was increased to LFr2½bn. i) Callable on coupon dates from Feb.99 at par. j1) 3-mth Libor +15bp. k) Pricing on 25/1/95. Callable on 30/9/97 at 101½% falling ½% to par. Callable from 31/3/98 subject to 150% rule. l) Long 1st coupon. m) Long last coupon. n) Callable on any coupon date from Feb.02 at par. n1) 3-mth Libor +62½bp to Feb.02 and +225bp thereafter. o) Issue launched on 3/1/95 was increased to $400m. p) Callable on any coupon date from Feb.98 at par. p1) 3-mth Libor +⅛%. q) 3-mth Libor +25bp. r) Callable on 16/2/98 at par. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Bellway 4.8p
Business Post 1.9p
Canon FRN 1996 Y6509.0
Charter 7.5p
Cook (DC) 0.45p
Crossroads Oil 0.2p
Crown Eyeglass 3.5p
Darby 0.9p
GEI Int 1p
Harris (Philip) 2.2p
Hazlewood Foods 2.4p
Do 7½% Cm Pf 2.625p
Itochu FRN 1997 Y85090.0
Latin Am. Extra Yld Fd $0.225
MBL Fin 7% Gtd Bd '02 $70000.0
Mitsubishi Elec 6⅞% Bd '97 Y687500.0
MY Hldgs 1.1p
Nat West Bank Und Var Rate Nts $1661.32
Neepsend 0.5p
Northern Rock Bldg Scty FRN '95 £78.87
Sanwa Australia Fin Gtd Fltg/ *Fxd Rate Nts '04 $2886.88*
Somprasong Land Public 3⅞% Cv Bds '04 $38.75
Taisei FRN 1997 Y1936438.0
Treas. 5¼% Nts Jan '97 Ecu52.50
Wolverhampton & Dudley *Brew. 8.8p*
YTB Fin (Aruba) Gtd Sb FRN '03 $1557.74

■ TOMORROW
BSS 6.25p
Courtaulds 4.15p
Jos Hldgs 2.95p
M & G Second Dual Tst 14.3p
Rothmans Int Units 6p
Royal Bank of Can. Int Bd Ptg Pf $0.29
Treas. 8¼% Nts Jan '95 Ecu82.50
York Waterworks 3.55p
Do A 3.55p

■ WEDNESDAY JANUARY 25
BAA 3.75p
Bankers Tst New York $1.0
Britannia Bldg Scty FRN '05 £16698.63
Brit. Airports Fin FRN '96 Y120111.0
BZW Cv Inv Tst 1.5p
Cosalt 5p
CPC Int $0.36
Danka Business Systems 0.9p
Dawson Int 1.5p
Debenhams 7¼% Un Ln 02/07 £3.625
Do 7¾% Un Ln 02/07 £3.875
Dunedin Worldwide Inv Tst 7.1p
Fine Art Devs 3.5p
General Electric $0.41
Gold Fields S.A. Cv Pf R1.45
Housing Sec 8⅜% Db '19 £4.1875
Hydro-Quebec 10⅞% Db Ser HW Jul '01 C$54.375
Leeds Grp 4.2p
Leicester City Council 7% Ln '19 £3.50
Mansfield Brewery 1.5p
Molex $0.01
Do Class A $0.01
Osborne & Little 3.5p
Ptarmigan Int Cap Tst 1.7p
Spintab FRN 1998 $15.97
Trifast 2.35p
TSB Gilt Ptg Pf (B) 0.67p
TSB Hill Samuel Bk FRN '16 $287.50
Treasury 12% 1995 £6.0
Treasury 13¾% 2000/03 £6.875
Woolwich Bldg Scty FRN '96 Ecu 157.17

■ THURSDAY JANUARY 26
Abacus 2.88p
Bristol & West Bldg Scty FRN '96 £157.53
Britannia Bldg Scty FRN '96 £153.75
Co-operative Bk Sb FRN 2000 £77.19
Govett Am. Endeavour Fd $0.034
Hydro-Quebec FRN Ser FY Jul '02 $294.37
Italy Global FRN Jul '99 (DM) DM127.78
Do (US$) $14.53
Do (Yen) Y6230.0
Lloyds Bank Ser A Var Rate Nts £158.79
Treas. 2½% IL 2016 £2.2159
Treasury 7¾% Ln 12/15 £3.875
Woolwich Bldg Scty FRN 1995 £76.88

■ FRIDAY JANUARY 27
Airsprung Furniture 1.7p
Allen 2p
Asprey 1.25p
BPB Inds 3.1p
Bank Montreal Fltg Rate Db Ser 10 '98 $274.08
Bank Nova Scotia C$0.31
Borthwicks 0.5p
Bristol Evening Post 4.5p
Carr's Milling 5p
Cheam A 5.6p
Do B 5.6p
Daiwa O'seas Fin Gtd Fltg/Fxd Rate Nts '04 $2913.33
Dartmoor Inv Tst 2.8p
De La Rue 7p
Dunedin Enterprise Inv Tst 1.5p
Dunedin Smaller Co's Inv Tst 6p
Fleming Indian Inv Tst 0.45p
Kalamazoo Computer 1p
Leigh Interests 2.46p
London Ins. Market Inv Tst 1p
Murray Income Tst 2.42p
Northern Investors 1.5p
Renold 1.2p
Rolfe & Nolan 1.4025p
St James Beach Hotels 1.25p
Shaftesbury 1p
Tring Int 1.42p

■ SATURDAY JANUARY 28
Australia 13½% Ln '10 £6.75
Treasury 8½% Ln 2000 £4.25

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Cosalt, 1 Paternoster Row, E.C., 12.00
Haemocell, 10th Floor Moor House, 119 London Wall, E.C., 10.45

BOARD MEETINGS:
Finals:
Derby Trust
Seacon
Interims:
Ball (A.H.)
Cantors
GT. Japan Inv. Tst.
Menzies (J.)
Shield Group

■ TOMORROW
COMPANY MEETINGS:
Abtrust Emerging Economies Inv. Tst., 99 Charterhouse Street, E.C., 12.30
Dunedin Smaller Companies Inv. Tst., Dunedin House, 25 Ravelston Terrace, Edinburgh, 2.00
Dunedin Worldwide Inv. Tst., Dunedin House, 25 Ravelston Terrace, Edinburgh, 12.00
Leeds Group, Forte Crest Hotel, Bramhope, Leeds, 12.00
Lovell (Y.J.), Stationers' Hall, Ave Maria Lane, E.C., 12.00
Sanderson Electronics, Grosvenor House Hotel, Charter Square, Sheffield, 12.00
Whessoe, 81 Coleman Street, E.C., 12.00

BOARD MEETINGS:
Finals:
Domino Printing
Fleming Claverhouse
M & G Dual Tst.
Watson & Philip
Interims:
City of Oxford Inv. Tst.
Davies (D.Y.)
Masthead Insurance
Mitre Group
Murray Smaller Markets Tst.
River & Mercantile Extra Income

■ WEDNESDAY JANUARY 25
COMPANY MEETINGS:
The Fleming Indian Investment Trust, The Chartered Accountants' Hall, Moorgate Place, E.C., 12.00
Widney, Broadwalk House, 5 Appold Street, E.C., 11.00
Wolverhampton & Dudley Breweries, Station Hotel, Castle Hill, Dudley, 12.00

BOARD MEETINGS:
Finals:
Allied Textile
CLM Insurance
First Philippine Tst.
Interims:
Colefax & Fowler
Dudley Jenkins
Govett American Smaller
Mosaic Invs.
Murray Split Cap. Tst.
Newmark (Louis)
YRM

■ THURSDAY JANUARY 26
COMPANY MEETINGS:
Barcom, 154 Fleet Street, E.C., 10.00
Burton Group, London Marriott Hotel, 10 Grosvenor Square, W., 11.00
Fairline Boats, Barnwell Road, Oundle, Peterborough, 12.00
Govett High Inc. Inv. Tst., Shackleton House, 4 Battlebridge Lane, S.E., 12.30
Morland, The Brewery, Ock Street, Abingdon, Oxfordshire, 12.30
Murray Enterprise, 30 Coleman Street, E.C., 3.00
Scottish Investment Trust, 6 Albyn Place, Edinburgh, 11.00
Sheriff Hldgs., Edwalton Hall, Village Street, Edwalton, Nottingham, 10.30
Tate & Lyle, Barbican Hall, Barbican Centre, E.C., 11.30

BOARD MEETINGS:
Finals:
English & Caledonian Inv.
Gartmore
Warner Estates
Warrants & Value Inv. Tst.
Witan Inv.
Interims:
Freeport Leisure
Govett Emerging Mkts Inv. Tst.
Grosvenor Inns
Goodhead Group
Lazard High Income Trust
Menvier-Swain
Misys
Prior
Stavert Zigomala
Uniplam Group
Unitech

■ FRIDAY JANUARY 27
COMPANY MEETINGS:
Cooper (Frederick), Park Hall Hotel, Wolverhampton, 12.00
Enviromed, 74 Sunderland Road, Sandy, Beds., 10.00

BOARD MEETINGS:
Finals:
Continental Assets
Gresham Telecomputing
Malvern UK Index Tst.
Partridge Fine Arts
Interims:
British Bloodstock
Dyson (J & J)
Prism Leisure
Whinney Mackay-Lewis
Wholesale Fittings

■ SATURDAY JANUARY 28
COMPANY MEETINGS:
NFC, Harrogate Intl. Centre, Kings Road, Harrogate, 10.30

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

CONFERENCES & EXHIBITIONS

JANUARY 27
Investor Relations: The Institutions
What makes the institutions tick, the funds within the funds, 1995 institutional activist agenda, analysis of top houses and fund managers. Speakers include BA Pensions Fund CEO David Gamble, MAM Director Paul Harwood, TR Smaller Companies IT Director John Alexander, Merrill Lynch. Moderator:Institutional Investor magazine London Bureau Chief David Fairlamb.
Contact: Bass Associates Seminars
Tel: 071 497 2225 Fax: 071 497 9295
LONDON

JANUARY 31
A practical Guide to Business Opportunities
Lithuania, a prime investment location serving West and East, stable politically, economically and financially, has attracted considerable foreign investment both direct and by joint-venture. This seminar will look at business opportunities, and the keynote address will be given by the Lithuanian Prime Minister, Dr Adolfas Slezevichus. Companies with experience of investment in Lithuania will present case studies.
Contact Nicola Martin, CBI Conferences
Tel. 071 379 7400 Fax 071 497 3646
LONDON

JANUARY 31 / FEBRUARY 1
Practical Dealing course - Foreign Exchange
Training in Spot and Forward forex dealing for trainee/junior dealers and Corporate treasury personnel. Highly participative course including WINDEAL (PC Windows-based dealing simulation). Training effected by practitioners with many years' market experience.
£520 + V.A.T.
Lywood David International Ltd
Tel: 0959 565820 Fax: 0959 585821
LONDON

FEBRUARY 1-3 & APRIL 10-12
Fixed Income Portfolio Management
Essential for analysts, investment bankers, fund managers, corporate treasurers who need to have a good grasp of bond portfolio management techniques and practices.
Government, corporate floating rate bonds. Duration and convexity. Bond futures and option
£825 plus VAT
Course Director - Dr Terry Watsham
Contact: BPP Bank Training - Jonathan Rogers
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

FEBRUARY 1-3 & JUNE 7-9
An Introduction to Accounting
For delegates with little or no knowledge of accounting. Provides a foundation level of understanding.
Ledgers and books of prime entry. Cost of goods sold - valuation. Fixed assets and depreciation. Trial balance and final accounts.
£625 plus VAT
Course Director - Pam Powell
Contact: BPP Bank Training - Pam Powell
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

FEBRUARY 2
Impact of Derivatives on Securities Markets
A high-level conference to examine the impact of the growth of derivatives on securities markets. Speakers will include senior representatives from LIFFE, SOFFEX, London Stock Exchange, J P Morgan Securities Ltd, Union Bank of Switzerland, Deutsche Borse AG and Banque de France.
Contact: Arielle Savona, Dow Jones Telerate
Tel: 0171 832 9737 Fax: 0171 353 2791
LONDON

FEBRUARY 3
Trade Associations for the 21st Century
CBI Conference, including speakers from the Department of Trade and Industry and major trade associations will address practical issues and encourage exchange of best practice.
Contact: Nicola Martin, CBI Conferences
Tel: 0171 379 7400 Fax: 0171 497 3646
LONDON

FEBRUARY 6
Staff Recruitment and Selection
FEBRUARY 7
Performance Appraisals
Two one-day courses: Job Identification, Specification, Selection Process. Effective Advertising, Shortlisting, Networking. Structured Interviewing, Phychometric Models. The Process, Techniques and Aims of Performance Appraisal in developing an Effective Team. £245 per course. 15% discount for delegates booking both courses.
Contact: Fairplace
Tel: 0171 329 0595
LONDON

FEBRUARY 6/7
Introduction to Foreign exchange and money markets
Highly participative training course covering traditional FX and money markets featuring WINDEAL a realistic PC based dealing simulation. For Corporate treasurers, bank dealers, marketing executives, financial controllers, systems and support personnel.
IEP 520 + VAT.
Lywood David International Ltd.
Tel: +44 1959 565820
Fax: +44 1959 565821
DUBLIN

FEBRUARY 6-8
Understanding Capital Markets
Background/Development of the Market, Disintermediation, Securitisation, Main Participants, Regulatory Framework.
Fixed/Floating Eurobonds, Government Bonds, Ratings, Bond Yields, Risk/Reward Relationship.
Effect of Currency/Interest Rate Risk on Capital Market Instruments. Equity Finance and Hybrids, Listings, Role of Stock Exchanges, Primary and Secondary Markets.
£725 3DAYS
Contact: Fairplace Tel: 0171 329 0595
LONDON

FEBRUARY 8
The Evolving UK Programme and its International Context
This conference, organised by OFTEL and FT Conferences, focuses on the critical nuts and bolts of the competitive regime as it goes into its second decade and how OFTEL proposes to ensure interconnection arrangements in the UK fully meet the needs of a multi-operator market.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081-673 1335
LONDON

FEBRUARY 8, 1995
The growing business: lessons for entrepreneurs
A panel of advisers and entrepreneurs will examine four key issues relating to managing a small, growing business: how to finance growth; how to recruit the right people; how to promote your company; how to make the quantum leap and second generation products.
Institute of Directors 071 730 0022
LONDON

FEBRUARY 9/10
Practical Dealing course - Foreign exchange
Training in Spot and Forward forex dealing for trainee/junior dealers and Corporate treasury personnel. Highly participative course including WINDEAL (PC Windows-based dealing simulation). Training effected by practitioners with many years' market experience. IEP 520 + VAT.
Lywood David International Ltd.
Tel: + 44 1959 565820
Fax: +44 1959 565821
DUBLIN

FEBRUARY 9-10
Valuing Companies
Company Valuation is the Backbone of Corporate Finance and often a Key Factor in Lending Decisions. Concepts and Components of Value, Risks and Returns. Methods of Valuing Companies - Asset, Earnings, Cashflow Based. Leveraged Buy-outs, advanced Techniques. Valuing and Restructuring the Loss Making Company
£475 2DAYS
Contact: Fairplace Tel: 0171 329 0595
LONDON

FEBRUARY 13
Financing the International Oil Industry - An Impending Problem
Will the development of the international oil industry in the near future be constrained by lack of finance? Papers will include: Financing Requirements for International and Independent Oil and Gas; Equity, and Capital Markets, Cross Border Pipelines; Treasury Risk; Russian Energy Projects and Political Risk.
Contact: Caroline Little, Institute of Petroleum
Tel: 0171 467 7100
LONDON

FEBRUARY 13-14
Intelligent Financial and Business Systems
Applying novel "intelligent" computing techniques to finance, marketing, retail and utilities. Speakers from: Citibank, Daimler Benz, ABN-Amro Bank, British Gas and The National Grid Co examine developments in the use of Intelligent Systems in their organisations. This conference will discuss the importance of these techniques for customer profiling, insurance under-writing and demand forecasting and explain underlyings computing techniques.
Contact: Hattie Park, IBC Technical Services Ltd Tel: 071 637 4383 Fax: 071 631 3214
LONDON

FEBRUARY 13-15 & APRIL 26-28
Advanced Credit Analysis
Targeted at experienced credit/investment analysts and credit managers the course works through case studies involving complex companies in order to highlight the more sophisticated techniques used in financial analysis.
Creative accounting. Derivatives - counterparty and product risk. Corporate failure
£795 plus VAT
Course Director - Ross Tanner
Contact: BPP Bank Training - Ross Tanner
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

FEBRUARY 14/15
Selling Skills for Treasury Staff course
The Selling Skills for Treasury Staff is designed to introduce the subject of selling techniques to corporate dealers and customer services people. The course looks at the need to empathise and then identify the most appropriate products. The linking of products to the customers' situation. Leading to greater confidence when dealing with the customer. £520 + V.A.T.
Lywood David International Ltd
Tel: 0959 565820 Fax: 0959 585821
LONDON

FEBRUARY 15
Specialist Training for Trade Finance Personnel
Introduction to Forfaiting
* Product Description * Risk Profile of Forfaiting Operations * Documentation * Bills of Exchange & Promissory Notes * Making & Receiving Offers and Indications * Calculations, Export & Valuation Quotes * Settlement in the Forfaiting Market.
£285 + VAT one day. Contact: TFL/Nicola Blackman Tel: 0171-606-0084/600-2123 Fax: 0171-600-3751
LONDON

FEBRUARY 15-17
Credit Training Workshops
Thomson BankWatch, Inc. leader in global bank risk analysis, is running a series of *credit training workshops. Topics being* covered are: Emerging Markets Sovereign Risk Analysis, Latin American Banks, Introduction to Banking Systems and Banks Emerging Markets of Asia. For full details please contact Terry Brunne 0171-353 5548 or Fax: 0171-815 0408
LONDON

FEBRUARY 16
Collaboration for Competitive Advantage: The Changing World of Alliances and Partnerships
The imperatives of competing in global markets through strategic development of their businesses means that many more companies have to consider whether alliances or partnerships must be among the routes to greater sustainable profits.
Contact: Jo Mainee, The Strategic Planning Society
Tel: 0171 636 7737 Fax: 0171 323 1692
LONDON

FEBRUARY 16
Major Overseas Projects
A one-day seminar on the AlpTransit tunnels, the Oresund bridge and tunnel, Dublin's Light Rail project and the Copenhagen Mini-Metro. Project Directors are flying in to present the opportunities for UK companies.
Contact: Hazel Reddin
Tel: 091 235 7297 Fax: 091 235 7288
NEWCASTLE

FEBRUARY 16
Offshore Financial Opportunities in the Cayman Islands
Gain greater insight into the legal, financial and operational advantages of using Cayman-based: Mutual funds; Limited Partnerships; Structured Finance; Banking; Insurance; and Ship Registration. Conference fee: £100 + VAT.
Contact: Evie Kinane, IBC Legal Studies and Services Limited Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

EBRUARY 20 - 21
Business Process Re-engineering (BPR)
Leading seminar series on Business Process Re-engineering. Enhanced 1995 programme includes new sections on self-managed teams and radical BPR. Coaching style of presentation. Based on 150 successful BPR projects. 60 organisations in the private & public sectors attended in 1994. Repeated March 20-21.
Contact: Richard Parris, Vertical Systems Intercede Ltd. Tel: 01455-250266 Fax: +44 1455-890821
LONDON

FEBRUARY 21
EC Competition Law Workshop CPD Accredited
Failure to take EC law into account could cost many millions of pounds in fines, together with the possibility of substantial claims in damages by third parties suffering loss. This workshop provides a comprehensive and practical introduction to the subject.
Contact International Professional Conferences Ltd on 061 445 8623
LONDON

FEBRUARY 22
The Transaction Superhighway Reaching Customers Through Screens
CBI/IMRG Conference will set out the key issues associated with the development of the transaction superhighway, its implications and the likely timescales or events. Speakers to specialise in all aspects of interactive media. The conference is accompanied by an Applications Gallery.
Contact: Nicola Martin, CBI Conferences
Tel: 0171 379 7400 Fax: 0171 497 3646
LONDON

FFEBRUARY 22-23
Pay Appraisal and Career Development
A practical guide to the latest techniques for achieving excellent employee performance in the delayered organisation. This important two-day conference explores how to radically improve your business performance by linking individual targets to corporate objectives through effective reward, appraisal and motivation systems.
Contact: Business Intelligence
Tel: 0181 543 6565 Fax: 0181 544 9020
LONDON

FEBRUARY 23-24
Oil & Caviar in the Caspian
Can you afford to miss this major international conference covering International Boundaries, Oil, Pipelines, Non-Oil Business Opportunities, Environment, Political Stability. Speakers include 6 Cabinet Ministers, World Bank, DTI, AD Little. Official Government Delegations, Oil/Non-oil Companies, Lawyers, NGOs, academics and journalists are attending. Co-sponsored by BP/Statoil/Mobil.
Contact: Menas Associates
Tel: 0181-520-8067 Fax: 0181-520-1688
LOND ON

FEBRUARY 28 - MARCH 1
CTI and Beyond
As the worlds of computing and telephony move ever closer, Computer Telephone Integration is becoming relevant to almost every organisation. This seminar includes case studies of users of CTI technology, and overview of the technology and future of CTI, and examinations of CTI implementation and products.
Contact Unicom Seminars, 0895 256 484, fax 0895 813 095
LONDON

FEBRUARY 28 - MARCH 1
Trawling the Internet: The Commercial Impact and Opportunities
A timely overview outlining the benefits of Internet services to the professional and commercial organisation. Users and vendors of Iternet products and services, politicians, computer multinationals explain their strategy and vision of the future.
Contact Unicom Seminars
Tel: 0895 256 484, fax: 0895 813 095
LONDON

MARCH 1
Doing Business on the Internet - A Manager's Guide
This non-technical one-day seminar shows you how to creatively use the Internet to increase profits. Demystifying technical jargon, it focuses on those applications with real business value and provides numerous case studies. Practical guidelines are offered on developing your Internet business plan as well as controlling costs.
Contact: Gareth Jones, Monadnock
tel 0181 871 2546 fax: 0181 871 3866
LONDON

MARCH 1 & 2
Investment Training Seminars
Day 1 - Trading Tactics - an introduction to investment and risk management.
Day 2 - Technical Analysis - the mystery of the subject unveiled. Each course £170 plus VAT. both courses £300 plus VAT.
Contact: Synergy Software Limited
Tel: 0582 424282 Fax: 0582 482741
LONDON

MARCH 1-2
Risk Assessment of Emerging Opportunities in UK Private Finance
SMi Private Finance Series: highly focused events on PFI Risk Assessment, with the newest case studies for Private Finance in Local Authorities, Transport Infrastructure, *Core NHS Services and Information* Technology. Latest from HM Treasury, Government Panel and the key public and private sector players.
Contact: Rachael Dening, SMi
Tel: 0171 417 7790 Fax: 0171 417 7791
LONDON

MARCH 2
Managing New Product Development for Business Turnaround
One day conference exploring how design management is fundamental to the manufacturing process. Organised by the Design Museum and sponsored by the DTI.
Contact: Conference Secretariat: Northern Conference Bureau
Tel: 01625 502600 Fax: 01625 502900
Conference Centre MANCHESTER

MARCH 2
Contemporary Europe 1995 - The State of the Union
A series of 12 seminars on political, economic and social developments within the European Union. Presented by London School of Economics lecturers and aimed at professionals. Held on Thursday evenings starting March 1995.
Contact: LSE Continuing and Professional Education Unit
Tel: 0171 955 7227
LONDON

MARCH 2 & 3
Shopping in Cyberspace & Publishing for profit on the Internet
These two day workshops show how the convergence multimedia technology is changing the worlds of publishing and commerce. Key players explain how home shopping networks are influencing different retailers and consumers; and how the cybermedia (the Internet) is revolutionising the publishing industry.
Contact Unicom Seminars
Tel: 0895 256 484 Fax: 0895 813 095
LONDON

MARCH 7
Elements of Regulation
One day introduction to regulatory issues. Demands no prior experience. Considers *techniques of utilities regulation and other* sectors. Topics covered: price controls; franchising; enforcement; cost of capital; regulating quality of service.
Contact the LSE continuing and Professional Education Unit.
071 955 7227
LONDON

MARCH 8-9
Business Performance Measurement:
Transforming corporate performance by measuring and managing the drivers of future profitability. This two-day conference explores relevance and practicality of developing new "corporate dashboards", which include non-financial indicators, such as customer satisfaction, quality and benchmarking.
Contact: Business Intelligence
Tel: 0181-543 6565 Fax: 0181-544 9020
LONDON

MARCH 16
How to Conduct Planning Appeals CPD Accredited
The Planning and Compensation Act 1991 and new policies emerging from central government have created scope for conflict between developers and planning authorities which could lead to more appeals and inquiries. This conference is designed for those involved in the planning process.
Contact International Professional Conferences Ltd on 061 445 8623
LONDON

MARCH 19-31
Retail and Wholesale Banking Seminar
2 week residential seminar for bankers from the emerging markets. Week 1 - retail banking, payments systems, credit assessment & trade finance. Week 2 wholesale treasury, FX and MM and derivative markets. Highly participative training seminar, incl. educational visits to financial institutions in both weeks.
£3,750 + VAT. fully inclusive tuition & accommodation. (15% discount 2+)
Lywood David International Ltd. Book by Fax: +44 1959 565821
CROYDON & LONDON

MARCH 22
Presentations for Professionals by Professionals
Sharpen your presenting skills in a West End theatre. Businessmen, designers, actors and stand-up comedians will show you how to galvanise audience attention; ensure impact and memorability; create selling slides; use humour... Learn how to produce unforgettable presentations.
Contact: Executive Presentations
Tel: 0171 251 5053 Fax: 0171 490 0566
LONDON

MARCH 22
101 Estate Planning Ideas and Traps for Individuals, Trusts and Family Companies
Specialist conference developed by Barristers, Patrick Soares and Barry McCutcheon. Joining them are Tony Wickenden who is nationally known as a specialist on the uses of insurance in tax planning and Kevin Slevin who is equally well known for capital gains tax planning.
Contact: Vicki Goffin, IBC Legal Studies and Services Limited Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

MARCH 23-24 1995
PlanEcon Conference Announcement
Transition & Recovery in Eastern Europe and the Former Soviet Republics and East European & Former Soviet Energy Sector: Recovery in Sight? PlanEcon, DRI/McGraw-Hill conferences with Boris Fedorov, Petr Bod, and Terry Adams. Contact Corinne Redoumet on +44-81-545 6212.
LONDON

MARCH 27-28
Edward De Bono's Six Thinking Hats Workshop
The Management Tool for Building the Innovative Organisation. Course Presenters: Chuck Dymer, Caspar de Bono
Learn to: Use 'Parallel Thinking' techniques as a powerful alternative to Adversarial Thinking. Increase output from meetings. Decrease meeting times. Make your organisation more innovative and action oriented
Contact: Juliet Muchenje, Monadnock
Tel: 081-871 2546 Fax: 081-871 3866
LONDON

MARCH 28-29
Electronic Messaging
Electronic messaging is one of the most important requirements to survive in an increasingly dynamic market and to play a role in its future. Topics include: interconnecting existing messaging communities; workgroup computing; mobile and remote workers; electronic messaging and EDI; desktop applications; information security standards.
Contact: Unicom Seminars
Tel: 0895 256 484 Fax: 0895 813 095
LONDON

MARCH 28-29
The Role of IT in BPR: Enabler Versus Dictator
This seminar examines intersections and synergies between BPR and information technology, and investigates pros and cons of application-pull versus technology-push. It identifies the critical success factors in BPR; explains the practical steps to exploit the synergies; analyses the role of the IT community in BPR. Followed by a separate two-day workshop: "Aligning IT and BPR: building the enterprise model."
Contact: Unicom Seminars
Tel: 0895 256 484 Fax: 0895 813 095
LONDON

MARCH 29-30
Strategies for Implementing Re-engineering programmes: Methods, capabilities and software tools to support the re-engineering life cycle
Presents a practical guide to managing the analysis, redesign, modelling & implementation phases of process re-engineering. Outlines how to develop new skills & capabilities, & how to apply the latest software tools & methodologies.
Contact: Business Intelligence
Tel: 0181 543 6565 Fax: 0181 544 9020
LONDON

MARCH 30
Banks, The City and Politics
The banks and: the economy; industry; the press; the government. The Chartered Institute of Bankers' first annual conference is sponsored by AT&T and will be chaired by Sue McGregor. Speakers include Eddie George, Tom Farmer and Christopher Fildes.
Contact: Gillian Wright, CIB
Tel: 0227 762600 Fax: 0227 763788
LONDON

APRIL 5
The Taxation of Unit Trusts and OEICs
An important conference for the collective investment industry looking at the recent and proposed legislative changes. Special comment from the Inland Revenue on the taxation of OEICs and from the Securities and Investments Boards on the New Regulations.
Contact: Kate Roberts, IBC Legal Studies and Services Limited Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

APRIL 6
***Challenging Offshore Structures* CPD Accredited**
This conference will cover information gathering, the extent of equitable tracing, testing offshore structures, international insolvency, international fraud investigations and Case Study: breaking an asset protection trust. These topics will be covered by a prestigious panel of speakers.
Contact International Professional Conferences Ltd on 061 445 8623
LONDON

APRIL 6 & 7
Managing Relocation
The UK's top major annual relocation conference and exhibition covers a wide range of domestic and international *relocation issues. Sessions include:* relocation policy review; tax, NI & reporting; international remuneration; group moves and operating in Eastern Europe.
Contact: Natalie Munden CBI Employee Relocation Council
Tel: 071 379 7400 Fax: 071 836 1114
NORTHAMPTON

APRIL 24-27 & SEPTEMBER 11-14
Fundamentals of Fund Management (Residential)
Suitable for all those who require a thorough understanding of the overall investment management process - operations personnel, regulators, consultants, accountants, traders and bankers - wishing also to take advantage of the intensive learning environment provided by a country residential programme. Particular emphasis will be placed on constructing a portfolio and managing it.
£1,850 plus VAT Director: Dr Terry Watsham
Contact: BPP Bank Training - Hilary Jackson
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

APRIL 26-27
Derivatives Risk Management
Executives in the financial industry involved in planning, organising and directing financial instruments in banking and treasury departments. Developing new financial products; Trading in derivatives; Controlling exposure and risk; Developing the technology to support derivatives.
£790 plus VAT
Director - Prof Dimitris Chorafas
Contact: BPP Bank Training, Hilary Jackson
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

EXHIBITIONS

MARCH 1 - 3
Asian Companies EXPO
This entirely new concept for the financial markets brings together in one location an extensive and diverse array of leading Asian Companies, and provides institutional investors with a unique opportunity to evaluate potential growth and return first hand across all sectors on a one-on-one basis.
Contact: Euromoney EXPO's Limited. Tel:+44 (0) 1895 624794, Fax: +44 (0) 1895 624447.
EARLS COURT, LONDON

INTERNATIONAL

FEBRUARY 12-17
***Alphatania* - Natural Gas: The Commercial & Political Challenges**
The concentrated five-day Seminar/Workshop incorporating the widely acclaimed Alphatania Case Study© which demonstrates core commercial gas concepts and explains their political context. Designed for those with current/future management responsibility in the Natural Gas Business.
Contact: Antia Gardiner, The Alphatania Group. London for further information.
Tel: +44 (171) 613 0087
Fax: +44 (171) 613 0094
AUSTRIA

FEBRUARY 16-18 1995
ExpoTrans '95
Conference & exhibition of products and services for the Future of Transportation. New vehicles; alternative fuels; design; allied products, etc. Experts will conduct seminars and Q&A sessions on Infrastructure, People-Movers, Autos, Trucks, Communications and Financing.
Third Millennium Productions.
(619) 864-1822/FAX (619) 352-7503
PALM SPRINGS, CALF.

FEBRUARY 20-22
Roundtable with the Government of the Czech Republic
Prime Minister Vaclav Klaus and other key government officials will participate to outline policies that affect long-term business decisions on the Republic, followed by discussion and debate by participating executives.
For further details contact:
G. De Leonardis, The Economist Conferences, Schwarzenbergplatz 8/7, *A-1030 Vienna. Tel: +43-1/712 41 61 32.* Fax: +43-1/714 67 69
PRAGUE

FEBRUARY 20-25
Banking into the 21st Century
This high profile conference will discuss the direction International Bankers will take as we move towards the Millenium. Topics include: Credit cards and local credit Systems, Western accounting standards, factoring, leasing, currency dealing and Banking Security issues.
Contact: Michael Meehan Russl Corp. (UK) Ltd
Tel: 0181 332 6644 Fax: 0181 332 6124
SWITZERLAND

MARCH 9
Portfolio Investment in the *Russian Federation*
An international conference looking at the latest developments in the Emerging Capital Markets of the Russian Federation, covering equity and debt markets. Presentations by leading experts, brokers, investment bankers, fund managers, Russian corporates, and Russian policymakers on the economic reform programme.
Contact: Arielle Savona,
Dow Jones Telerate
Tel: +44 (0) 171 832 9737
Fax: +44 (0) 171 353 2791
SWITZERLAND

MARCH 23
Eurobudget 95 Conference
Business opportunities for funding or work in 80.9 billion Ecu 1995 EU Budget expenditure, for national, regional, local authorities, private sector consultants, suppliers, contractors. Includes 200 page EU Budget Guide.
Société Générale de Développement SA
Tel: +322 512 46 36 Fax: +322 512 4653
BRUSSELS

MARCH 27-29
Sub-Saharan Oil & Minerals
The foremost conference on African oil and mining. Speakers include President Mandela and Cabinet Ministers from over 30 African countries. Co-hosted by the SA Chamber of *Mines; Gabonese Ministry of Mines &* Energy; Nigerian National Petroleum Corporation; Sonangol; SA Ministry of Mineral & Energy Affairs and Europe Energy Environment.
Contact: 3 Hayne St, London EC1A 9HH
Tel: 44-71-600-6660 Fax: 46-71-600-4044
JOHANNESBURG

MARCH 29 & 30
Central & Eastern European Power Industry Forum
The latest and future developments in the electricity generating industry in Central and Eastern Europe. A Forum on ownership issues, creative project financing, competition and cooperation opportunities. High level.
Contact: PennWell C&E
Tel: 31-30-650963 Fax: 31-30-650915
WARSAW, POLAND

MAY 16
Euro SMEs 95
European Union finance for Small and Medium Sized Enterprises: including vocational training, employment, R & D, telecomms, IT, networking, subcontracting, regional development etc. Top speakers from EC and financial institutions.
Contact: Societe Générale de Développement SA
Tel: +322 512 46 36 Fax: +322 512 4653
BRUSSELS

MAY 16-18
POWER-GEN Europe 95
Investment and financing in the Power industry Trends and Policies, Combustion and Operating Power Plants 150 selected conference presentations. Over 230 exhibiting companies. Delegates and visitors from over 51 countries, especially from Central, Eastern and Western Europe
Contact: PennWell
Tel: 31-30-650.963 Fax: 31-30-650.915
AMSTERDAM

MAY 24-27
InterMedia Asia - Suntec City
First Asian conference & exhibition covering the many aspects of Multimedia. Speakers and exhibitors include industry leaders from South East Asia and around the world.
Organised by Reed Exhibitions Singapore and supported by the Singapore National Computer Board.
Contact: Colette Dauban on
tel: +44 71 834 7676,
fax: +44 71 973 0136
SINGAPORE

OCTOBER 10-12
World Aid/Euro Aid 95 Conference & Networking Exhibition
Business opportunities in worldwide aid programmes for EU consultants, contractors, suppliers, governments, financial institutions etc. Networking meeting place. Includes WORLD AID GUIDE.
Societe Générale de Developpement SA
Tel: +322 512 4636 Fax: +322 512 4653
BRUSSELS

The Financial Times plans to publish a survey on
International Conferences and Exhibitions
on Tuesday, February 21

This survey is aimed at anyone involved in organising or attending conferences or exhibitions both large or small.

It will include: Ideas on unusual conference venues and activities; how to choose and use exhibitions effectively: and even discuss how to hold a conference without leaving your office.

For further information on editorial content and details of advertising opportunities please contact.

Nadine Howarth
Tel: (071) 873 3503 Fax: (071) 873 3098
FT Surveys

TO ADVERTISE IN THIS SECTION PLEASE CALL NADINE HOWARTH ON 071-873 3503

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 20 / Sch)

BELGIUM/LUXEMBOURG (Jan 20 / Frs.)

CZECH REP (Jan 20 / Korune)

DENMARK (Jan 20 / Kr)

FINLAND (Jan 20 / Mkk)

FRANCE (Jan 20 / Frs.)

GERMANY (Jan 20 / Dm.)

IRELAND (Jan 20 / £)

ITALY (Jan 20 / Lira)

NETHERLANDS (Jan 20 / Fls.)

NORWAY (Jan 20 / Kroner)

POLAND (Jan 19 / Zloty)

PORTUGAL (Jan 20 / Escudo)

SPAIN (Jan 20 / Pts.)

SWEDEN (Jan 20 / Kronor)

SWITZERLAND (Jan 20 / Frs.)

TURKEY (Jan 20 / TK Lira)

PACIFIC

JAPAN (Jan 20 / Yen)

HONG KONG (Jan 20 / H.K.$)

INDONESIA (Jan 20 / Rupiah)

MALAYSIA (Jan 20 / MYR)

NEW ZEALAND (Jan 20 / NZ $)

SINGAPORE (Jan 20 / S$)

AUSTRALIA (Jan 20 / Aust$)

SOUTH KOREA (Jan 20 / Won)

TAIWAN (Jan 20 / TW $)

THAILAND (Jan 20 / Baht)

MONTREAL (Jan 20 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Jan 20 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jan 20 / Can $)

4 pm close

INDICES

	Jan 20	Jan 19	Jan 18	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	15155.78	15181.00	15745.47	25470.40	16/3/94	13938.48	10/1/95
Australia							
All Ordinaries(1/1/80)	1878.4	1894.4	1888.6	2340.60	3/2/94	1842.00	12/12/94
All Mining(1/1/80)	896.5	903.8	899.7	1136.10	3/2/94	875.80	10/1/95
Austria							
Credit Aktien(30/12/84)	369.03	377.94	380.34	480.66	2/2/94	369.03	20/1/95
Traded Index(2/1/91)	985.24	1007.55	1013.94	1222.25	1/2/94	985.24	20/1/95
Belgium							
BEL20 (1/1/91)	1359.64	1363.37	1361.68	1542.66	9/2/94	1336.39	7/10/94
Brazil							
Bovespa (29/12/83)	38623.0	38094.0	40785.0	55110.00	13/9/94	3800.90	3/1/94
Canada							
Metals Minls◆(1975)	4194.46	4261.52	4326.07	4326.07	19/1/95	3299.08	20/4/94
Composite◆ (1975)	4098.80	4141.90	4170.84	4609.90	23/3/94	3959.90	24/6/94
Portfolio§§ (4/1/83)	1995.37	2011.80	2038.22	2182.69	1/2/94	1868.48	28/6/94
Chile							
IPGA Gen (31/12/80)	5408.1	5382.7	5441.6	6764.40	21/11/94	3801.20	4/4/94
Denmark							
CopenhagenSE(3/1/83)	347.80	348.69	349.09	415.79	2/2/94	335.88	20/12/94
Finland							
HEX General(28/12/90)	1862.4	1873.2	1864.6	1972.00	4/2/94	1601.10	3/1/94
France							
SBF 250 (31/12/90)	1202.37	1216.78	1228.34	1565.20	2/2/94	1202.37	20/1/95
CAC 40(31/12/87)	1813.33	1837.11	1860.27	2355.93	2/2/94	1813.33	20/1/95
Germany							
FAZ Aktien(31/12/58)	771.25	780.74	778.98	859.27	18/5/94	742.04	5/10/94
Commerzbank(1/12/53)	2194.5	2223.2	2211.8	2485.50	2/5/94	2116.30	5/10/94
DAX (30/12/87)‡	2054.90	2089.36	2078.85	2271.11	16/5/94	1960.58	7/10/94
Greece							
Athens SE(31/12/80)	828.15	821.65	821.29	1194.68	18/1/94	804.37	22/11/94
Hong Kong							
Hang Seng(31/7/64)	7278.10	7422.00	7630.20	12201.09	4/1/94	7252.34	13/1/95
India							
BSE Sens.(1979)	3600.53	3656.08	3654.35	4628.57	12/9/94	3454.00	5/1/94
Indonesia							
Jakarta Comp.(10/8/82)	446.08	451.79	449.84	612.89	5/1/94	441.87	13/1/95
Ireland							
ISEQ Overall(4/1/88)	1841.91	1852.19	1877.49	2082.16	20/1/94	1884.14	1/7/94
Italy							
Banca Comm Ital (1972)	671.43	672.14†	657.96	817.17	10/5/94	581.84	13/12/94
MIB General (2/1/95)	1061.0	1062.0	1040.0	1062.00	19/1/95	979.00	10/1/95
Japan							
Nikkei 225 (16/5/49)	18840.22	19075.74	19223.31	21552.81	13/6/94	17369.74	4/1/94
Nikkei 300 (1/10/82)	267.89	272.61	275.54	311.71	13/6/94	267.89	20/1/95
Topix (4/1/68)	1459.40	1483.51	1499.46	1712.73	13/6/94	1445.97	4/1/94
2nd Section (4/1/68)	1993.20	2019.78	2050.29	2542.65	8/7/94	1873.33	4/1/94
Malaysia							
KLSE Comp.(4/4/86)	885.13	901.72	918.74	1314.46	5/1/94	885.13	20/1/95
Mexico							
IPC (Nov 1978)	2065.85	2051.89	2156.13	2881.17	8/2/94	1957.33	20/4/94
Netherland							
CBS TtlRtnGen(End 83)	438.3	441.1	441.4	454.90	31/1/94	408.30	21/6/94
CBS All Shr (End 83)	275.0	276.8	276.9	294.80	31/1/94	257.90	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1957.44	1979.76	1954.63	2439.64	3/2/94	1878.09	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1109.41	1117.80	1119.49	1211.10	28/2/94	980.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2462.65	2554.36	2538.59	3308.37	4/1/94	2462.65	20/1/95
Portugal							
BTA (1977)	2804.0	2826.0	2837.9	3226.60	18/2/94	2612.80	20/6/94
Singapore							
SES All-S'pore(2/4/75)	495.09	505.07	509.36	641.61	4/1/94	495.08	20/1/95
South Africa							
JSE Gold (28/9/78)	1772.4♥	1767.2	1809.5	2534.00	7/9/94	1749.00	14/2/94
JSE Ind. (28/9/78)	6563.7♥	6574.0	6667.1	6984.40	30/12/94	5446.00	19/1/94
South Korea							
KoreaCmpEx(4/1/80)**	973.06	974.90	966.66	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	280.96	283.19	282.22	358.31	31/1/94	275.35	11/1/95
Sweden							
AffarsvardsGen (1/2/37)	1517.8	1523.3	1529.80	1603.90	31/1/94	1334.70	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1226.29	1233.66	1230.67	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	909.38	915.88	915.56	1083.29	31/1/94	876.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)**	6372.01	6598.02	6623.52	7191.13	30/9/94	5194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	1251.72	1283.35	1285.57	1753.73	4/1/94	1198.59	4/4/94
Turkey							
Istanbul Cmp.(Jan 1986)	25519.8	25910.3	25828.0	29145.10	2/12/94	12980.70	24/3/94
WORLD							
MS Capital Int (1/1/70)§	607.4*	611.0	615.7	649.90	2/11/94	591.60	4/4/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1313.82	1323.84	1327.01	1540.19	31/1/94	1266.48	5/10/94
Euro Top-100 (26/6/90)	1160.75	1171.25	1175.32	1311.01	2/2/94	1136.48	5/10/94
JCapelDrgns (31/12/88)	(u)	277.64	283.01	395.19	5/1/94	271.76	16/1/95
Barings Emerg.(7/1/92)	140.79	146.41	149.52	191.79	29/9/94	137.81	11/1/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40							
Jan	1831.0	1818.0	-27.0	1840.0	1815.0	23,587	22,735
Feb	1839.0	1824.5	-27.5	1846.0	1825.0	1,432	3,303
DAX							
Mar	2080.0	2075.5	-16.0	2080.5	2063.0	18,864	N/A
Jun	2097.5	2095.0	-21.5	2126.0	2086.5	1,559	N/A
OMX							
Jan	1158.00	1159.00	-7.00	1163.25	1158.00	3,817	19,085
Feb	1166.00	1167.50	-15.5	1170.00	1166.00	1,101	3,753
SOFFEX							
Jan	2575.0	2574.5	-22.5	2581.0	2571.0	4,038	6,025
Feb	2586.0	2578.0	-25.0	2592.0	2578.0	7,134	13,949

** Sat Jan 14: Taiwan Weighted Price 6511.30; Korea Comp Ex 959.58. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 26 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ◆ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 20 - 2050.86 -28.74

US INDICES

Dow Jones	Jan 20	Jan 19	Jan 18	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3869.43	3882.21	3928.98	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	94.63	94.83	94.86	105.81 (21/1/94)	93.58 (30/12/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1522.10	1544.46	1552.61	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	188.18	186.53	187.65	227.06 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3898.70 (3929.99) Low 3828.70 (3866.74) (Theoretical◆)
Day's high 3896.01 (3928.98) Low 3842.85 (3878.51) (Actual◆)

Standard and Poors	Jan 20	Jan 19	Jan 18	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	464.78	465.85	469.72	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	552.34	555.10	558.02	583.10 (28/10/94)	510.05 (21/4/94)	583.19 (28/10/94)	3.62 (21/6/92)
Financial	42.33	42.59	43.16	46.94 (14/6/94)	39.87 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	253.38	254.38	255.87	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	437.64	438.53	439.97	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	782.05	788.56	772.38	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

RATIOS

	Jan 13	Jan 6	Dec 30	Year ago
Dow Jones Ind. Div. Yield	2.73	2.76	2.79	2.62
	Jan 18	Jan 11	Jan 4	Year ago
S & P Ind. Div. yield	2.40	2.44	2.45	2.35
S & P Ind. P/E ratio	19.06	18.76	18.71	28.07

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Nabisco Hldgs	16,692,400	26⅝	+2⅝
Telefonos	8,539,300	35	+½
Ford Motor	7,428,400	25⅞	−1⅛
RJR Nabisco	5,180,800	5¾	+⅛
Chrysler	4,685,600	47⅞	−2⅛
Wal Mart	4,445,800	21¼	+⅛
Santa Fe	3,974,000	18⅝	−⅛
EMC Corp	3,754,800	20	−1
Gen Motors	3,750,700	38½	−¾
Gen Elec	3,714,100	51	---

TRADING ACTIVITY

● Volume (million)	Jan 20	Jan 19	Jan 18
New York SE	375.338	297.757	344.567
Amex	13.827	17.035	13.989
NASDAQ	(u)	304.533	319.730
NYSE			
Issues Traded	2,941	2,950	2,945
Rises	740	732	1,064
Falls	1,465	1,414	1,157
Unchanged	736	804	724
New Highs	25	37	56
New Lows	51	37	27

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
S&P 500							
Mar	468.60	467.30	-1.30	468.65	466.00	68,347	200,766
Jun	-	471.25	-1.40	472.30	470.15	433	10,022
Nikkei 225							
Mar	18990.0	18950.0	-220.0	19100.0	18890.0	36,602	117,889
Jun	19050.0	18960.0	-270.0	19140.0	18960.0	569	3,875

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ◆ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994/95, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT FREE ANNUAL REPORTS SERVICE

TOKYO - MOST ACTIVE STOCKS: Friday, January 20,1995

	Stocks Traded	Closing Prices	Change on day
Obayashi Corp	7.2m	720	+7
Taisei Corp	7.0m	843	+8
Nippon Steel	6.8m	342	-8
Mitsubishi Hvy	5.9m	667	-25
Toshiba Corp	5.5m	638	-12
Fudo Const	5.1m	703	+29
Kawasaki Steel	4.7m	385	-8
Sumitomo Const	4.4m	498	+8
Mitsubishi Chem	4.3m	498	-21
Hitachi	3.9m	915	-1

مكتبة من الأصل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Jan 20		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.9340	+0.0199	263 - 417	17.0761	16.8715	16.9215	0.9	16.8878	1.1	-	-	118.0
Belgium	(BFr)	49.4745	-0.0237	397 - 092	49.6420	49.4310	49.4395	0.8	49.3662	0.9	48.8432	1.3	116.0
Denmark	(DKr)	9.4637	-0.0074	600 - 673	9.5816	9.4600	9.4813	-0.3	9.4733	-0.1	9.4486	0.2	117.5
Finland	(FM)	7.4201	-0.0167	123 - 278	7.4800	7.4123	-	-	-	-	-	-	89.2
France	(FFr)	8.3048	-0.0043	014 - 082	8.3407	8.3006	8.3056	0.5	8.2883	0.5	8.25	0.7	110.6
Germany	(DM)	2.3988	-0.0033	977 - 999	2.4066	2.3955	2.4019	1.2	2.3348	1.2	2.3809	1.7	128.3
Greece	(Dr)	373.503	-0.804	262 - 744	378.766	373.262	-	-	-	-	-	-	-
Ireland	(I£)	1.0092	-0.0003	085 - 099	1.0113	1.0079	1.0098	0.4	1.0083	0.2	1.0069	0.2	105.4
Italy	(L)	2530.56	+0.12	921 - 192	2543.21	2529.21	2547.88	-2.9	2547.59	-2.7	2597.59	-2.7	73.0
Luxembourg	(LFr)	49.4745	-0.0237	397 - 092	49.6420	49.4310	49.5301	0.8	49.3662	0.9	48.8432	1.3	118.0
Netherlands	(Fl)	2.6901	-0.003	891 - 911	2.6982	2.6873	2.6963	0.9	2.6858	1.1	2.6513	1.6	122.2
Norway	(NKr)	10.4999	-0.0057	960 - 038	10.5758	10.4908	10.5198	0.1	10.504	0.1	10.4939	0.1	87.2
Portugal	(Es)	250.862	+2.684	728 - 987	250.987	247.626	248.732	-2.9	250.428	-3.6	-	-	-
Spain	(Pta)	208.662	-0.523	537 - 788	209.723	208.537	208.593	-2.9	210.65	-2.8	215.005	-2.8	83.3
Sweden	(SKr)	11.7834	+0.0016	728 - 939	11.8235	11.7512	11.7227	-1.9	11.8353	-1.8	11.9518	-1.4	74.7
Switzerland	(SFr)	2.0170	-0.0066	157 - 182	2.0236	2.0140	2.02	2.4	2.0121	2.3	1.9574	2.8	123.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.8
Ecu	-	1.2690	-0.0005	682 - 698	1.2736	1.2682	1.2717	0.0	-	-	1.264	0.4	-
SDR†	-	0.932888	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5904	+0.0203	899 - 909	1.5917	1.5844	-	-	-	-	-	-	-
Brazil	(Cr)	1.3492	+0.0165	481 - 502	1.3502	1.3422	-	-	-	-	-	-	-
Canada	(C$)	2.2665	+0.0388	656 - 674	2.2703	2.2534	2.2684	-1.0	2.2728	-1.1	2.2896	-1.0	82.8
Mexico	(New Peso)	9.0554	+0.4453	136 - 971	9.0971	8.7431	-	-	-	-	-	-	-
USA	($)	1.5901	+0.0203	897 - 904	1.5915	1.5839	1.5896	0.2	1.589	0.2	1.5853	0.3	62.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0881	+0.0181	870 - 892	2.0893	2.0671	2.0885	-2.1	2.06	-2.0	2.0955	-2.2	-
Hong Kong	(HK$)	12.2959	+0.1465	924 - 994	12.3063	12.2498	12.1758	-1.6	12.1797	-1.0	12.0747	0.6	-
India	(Rs)	49.8799	+0.6368	649 - 948	49.9210	49.6910	-	-	-	-	-	-	-
Israel	(Shk)	4.7657	+0.0363	607 - 707	4.7800	4.7512	-	-	-	-	-	-	-
Japan	(Y)	157.685	+1.228	603 - 768	158.300	157.000	155.706	4.1	154.922	3.9	149.117	4.7	187.4
Malaysia	(M$)	4.0570	+0.0486	553 - 587	4.0595	4.0355	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4769	+0.0331	754 - 784	2.4792	2.4754	2.4618	-2.8	2.4599	-2.6	2.4942	-2.1	-
Philippines	(Peso)	39.1948	+0.5789	682 - 214	39.5214	38.8682	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9636	+0.0761	620 - 651	5.9686	5.9406	-	-	-	-	-	-	-
Singapore	(S$)	2.2984	+0.0183	971 - 997	2.3007	2.2915	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6157	+0.0521	132 - 181	5.6226	5.5843	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5749	+0.0368	575 - 922	6.6019	6.5410	-	-	-	-	-	-	-
South Korea	(Won)	1260.35	+16.32	000 - 071	1261.42	1255.56	-	-	-	-	-	-	-
Taiwan	(T$)	41.7810	+0.5248	662 - 957	41.8135	41.8249	-	-	-	-	-	-	-
Thailand	(Bt)	39.8737	+0.524	570 - 904	39.9020	39.6680	-	-	-	-	-	-	-

†SDR rates for Jan 19. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 20		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.6500	-0.125	475 - 525	10.6700	10.6425	10.7585	0.8	10.6227	1.0	10.49	1.5	105.3
Belgium	(BFr)	31.1150	-0.4175	000 - 300	31.3150	31.0790	31.525	0.6	31.06	0.7	30.79	1.0	106.9
Denmark	(DKr)	5.9518	-0.0817	508 - 528	6.0425	5.9508	6.0317	0.0	5.9503	0.1	5.9468	0.1	105.7
Finland	(FM)	4.6686	-0.071	627 - 704	4.7193	4.6620	4.7242	0.4	4.6626	0.3	4.6541	0.3	83.3
France	(FFr)	5.2230	-0.0703	220 - 240	5.2520	5.2197	5.2915	0.4	5.2167	0.5	5.189	0.7	102.9
Germany	(DM)	1.5087	-0.0216	083 - 090	1.5166	1.5060	1.529	1.0	1.5041	1.2	1.4852	1.6	108.6
Greece	(Dr)	234.900	-3.55	800 - 000	238.850	234.800	241.075	-15.1	242.65	-13.2	255.05	-8.6	68.5
Ireland	(I£)	1.5756	+0.0198	748 - 763	1.5779	1.5683	1.5561	-0.1	1.5754	0.1	1.5746	0.1	-
Italy	(L)	1591.50	-20.5	100 - 200	1602.00	1591.00	1621.71	-3.2	1603.2	-2.9	1639	-3.0	73.3
Luxembourg	(LFr)	31.1150	-0.4175	000 - 300	31.3150	31.0790	31.525	0.6	31.06	0.7	30.79	1.0	106.9
Netherlands	(Fl)	1.6919	-0.0237	916 - 921	1.7003	1.6898	1.7145	0.8	1.6872	1.1	1.6674	1.4	106.7
Norway	(NKr)	6.6035	-0.088	025 - 045	6.6895	6.5940	6.6922	0.4	6.5965	0.4	6.5485	0.8	97.3
Portugal	(Es)	157.770	-0.33	720 - 820	157.820	155.700	158.52	-4.7	159.495	-4.4	164.195	-4.1	95.6
Spain	(Pta)	131.230	-2.03	180 - 280	132.150	131.180	133.55	-2.6	132.11	-2.7	135.03	-2.9	78.3
Sweden	(SKr)	7.4107	-0.0948	057 - 157	7.4531	7.4028	7.4615	-2.2	7.4482	-2.0	7.5407	-1.5	79.8
Switzerland	(SFr)	1.2685	-0.0208	680 - 690	1.2788	1.2655	1.2668	2.1	1.2618	2.1	1.2363	2.5	107.7
UK	(£)	1.5901	+0.0203	897 - 904	1.5915	1.5839	1.5896	0.2	1.5893	0.2	1.5856	0.3	97.8
Ecu	-	1.2530	+0.0185	525 - 535	1.2535	1.2466	1.2364	0.0	1.2532	-0.1	1.2565	-0.3	-
SDR†	-	1.46395	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0002	-	001 - 003	1.0003	1.0001	-	-	-	-	-	-	-
Brazil	(Cr)	0.8485	-0.0005	480 - 490	0.8490	0.8470	-	-	-	-	-	-	-
Canada	(C$)	1.4255	+0.0064	252 - 257	1.4287	1.4205	1.4218	-2.2	1.4328	-2.1	1.4482	-1.6	79.9
Mexico	(New Peso)	5.6950	+0.21	700 - 200	5.7200	5.6600	5.3058	-0.2	5.6963	-0.1	5.6976	0.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.0
Pacific/Middle East/Africa													
Australia	(A$)	1.3006	-0.0052	002 - 011	1.3051	1.3002	1.3161	-2.0	1.3074	-2.1	1.3329	-2.5	89.8
Hong Kong	(HK$)	7.7330	-0.0067	325 - 335	7.7453	7.7310	7.7387	-0.2	7.7351	-0.1	7.74	-0.1	-
India	(Rs)	31.3700	-	675 - 725	31.3725	31.3675	31.4475	-3.1	31.695	-4.1	-	-	-
Israel	(Shk)	2.9972	-0.0156	947 - 997	3.0122	2.9947	-	-	-	-	-	-	-
Japan	(Y)	99.1700	-0.5	400 - 000	99.6500	98.9800	99.105	3.9	98.24	3.8	94.765	4.4	148.9
Malaysia	(M$)	2.5515	-0.002	510 - 520	2.5540	2.5440	2.5515	0.9	2.545	1.0	2.529	0.9	-
New Zealand	(NZ$)	1.5576	+0.0009	572 - 584	1.5634	1.5572	1.5663	-2.7	1.5671	-2.4	1.5921	-2.2	-
Philippines	(Peso)	24.6500	+0.05	500 - 500	24.8500	24.4500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	504 - 507	3.7507	3.7504	3.7534	-0.8	3.7565	-0.6	3.7681	-0.5	-
Singapore	(S$)	1.4455	-0.007	450 - 460	1.4500	1.4450	1.4481	4.1	1.4352	2.9	1.4118	2.3	-
S Africa (Com.)	(R)	3.5318	-0.0125	310 - 325	3.5375	3.5230	3.5491	-5.1	3.5778	-5.2	3.7338	-5.7	-
S Africa (Fin.)	(R)	4.1350	-0.03	250 - 450	4.1600	4.1250	4.1175	-8.1	4.2125	-7.5	4.445	-7.5	-
South Korea	(Won)	792.650	+0.15	600 - 700	792.900	792.200	796.8	-4.5	799.15	-3.3	817.65	-3.2	-
Taiwan	(T$)	26.2785	-0.0055	730 - 800	26.2850	26.2630	26.2988	-0.9	26.3365	-0.9	-	-	-
Thailand	(Bt)	25.0770	+0.0095	720 - 820	25.1300	25.0350	25.0895	-0.6	25.1035	-0.4	25.1295	-0.2	-

†SDR rate for Jan 19. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 19. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 20	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.40	4.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.40	4.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	-	[illegible]
week ago	[illegible]	[illegible]	6	[illegible]	7	5.00	-	[illegible]
Germany	4.80	4.95	5.10	5.30	5.75	6.00	4.50	[illegible]
week ago	4.63	4.95	5.10	5.30	5.00	6.00	4.50	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	7.50	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	7.50	[illegible]
Netherlands	4.84	5.08	5.17	5.40	5.90	-	5.00	-
week ago	4.84	5.08	5.18	5.42	5.93	-	5.25	-
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.625	3.50	-
week ago	[illegible]	[illegible]	4	[illegible]	[illegible]	6.625	3.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	4.75	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	4.75	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.75	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	6	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.80	6.16	6.55	7.25	-	-	-
week ago	-	5.80	6.16	6.69	7.45	-	-	-
SDR Linked Ds	-	4.56	4.94	5.25	5.69	-	-	-
week ago	-	4.56	4.94	5.25	5.69	-	-	-

ECU Linked Ds mid rates: 1 mth [illegible]; 3 mths [illegible]; 6 mths [illegible]; 1 year [illegible]. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 20	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.16	93.16	-	93.24	93.16	[illegible]	[illegible]
Jun	92.51	92.50	-	92.57	92.48	[illegible]	[illegible]
Sep	92.10	92.08	-0.02	92.17	92.06	[illegible]	[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.80	93.84	-0.01	93.90	93.83	1,996	13,174
Jun	93.18	93.14	-0.02	93.20	93.13	[illegible]	[illegible]
Sep	92.76	92.72	-0.03	92.79	92.73	[illegible]	[illegible]

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 20		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.13	16.79	4.847	2.040	5114	5.438	21.22	507.0	421.7	23.81	4.077	2.021	4.581	3.214	318.6	2.565
Denmark	(DKr)	52.27	10	8.775	2.534	1.066	2673	2.842	11.09	265.0	220.4	12.45	2.131	1.057	2.394	1.680	166.5	1.341
France	(FFr)	59.57	11.40	10	2.887	1.215	3046	3.239	12.64	302.0	251.2	14.18	2.429	1.204	2.728	1.915	189.8	1.528
Germany	(DM)	20.63	3.947	3.463	1	0.421	1055	1.122	4.379	104.6	86.99	4.912	0.841	0.417	0.945	0.663	65.72	0.529
Ireland	(I£)	49.03	9.380	8.231	2.377	1	2507	2.666	10.41	248.6	206.7	11.67	1.999	0.991	2.246	1.576	156.2	1.258
Italy	(L)	1.955	0.374	0.328	0.095	0.040	100.	0.106	0.415	9.913	8.245	0.466	0.080	0.040	0.090	0.063	6.229	0.050
Netherlands	(Fl)	18.39	3.518	3.087	0.891	0.375	940.5	1	3.903	93.23	77.55	4.379	0.750	0.372	0.842	0.591	58.59	0.472
Norway	(NKr)	47.11	9.013	7.910	2.284	0.961	2410	2.562	10	238.9	198.7	11.22	1.921	0.952	2.158	1.514	150.1	1.209
Portugal	(Es)	19.72	3.774	3.311	0.956	0.402	1009	1.073	4.187	100.	83.17	4.697	0.804	0.399	0.904	0.634	62.84	0.506
Spain	(Pta)	23.72	4.537	3.981	1.150	0.484	1213	1.290	5.034	120.2	100.	5.647	0.967	0.479	1.086	0.762	75.55	0.608
Sweden	(SKr)	41.99	8.034	7.050	2.036	0.857	2148	2.284	8.913	212.9	177.1	10	1.712	0.849	1.924	1.350	133.8	1.077
Switzerland	(SFr)	24.53	4.692	4.118	1.189	0.500	1254	1.334	5.206	124.3	103.4	5.840	1	0.496	1.123	0.788	78.14	0.629
UK	(£)	49.47	9.464	8.305	2.398	1.009	2530	2.690	10.50	250.8	208.6	11.78	2.017	1	2.266	1.590	157.6	1.269
Canada	(C$)	21.83	4.177	3.665	1.058	0.445	1117	1.187	4.634	110.7	92.06	5.199	0.890	0.441	1	0.702	69.55	0.560
US	($)	31.11	5.952	5.223	1.508	0.635	1591	1.692	6.604	157.7	131.2	7.409	1.269	0.629	1.425	1	99.12	0.798
Japan	(Y)	31.39	6.005	5.270	1.522	0.640	1605	1.707	6.662	159.1	132.4	7.475	1.280	0.635	1.438	1.009	100.	0.805
Ecu		38.98	7.458	6.545	1.890	0.795	1994	2.120	8.274	197.6	164.4	9.283	1.589	0.788	1.786	1.253	124.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.6617	0.6626	+0.0015	0.6650	0.6605	45,625	79,021
Jun	0.6641	0.6656	+0.0015	0.6676	0.6639	495	2,396
Sep	-	0.6685	+0.0015	0.6680	-	15	184

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.7866	0.7896	+0.0024	0.7929	0.7859	35,075	40,879
Jun	0.7940	0.7945	+0.0023	0.7975	0.7923	598	1,414
Sep	-	0.8005	+0.0022	0.8020	0.7992	8	87

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.0152	1.0110	-0.0042	1.0156	1.0089	33,366	76,163
Jun	1.0230	1.0233	-0.0043	1.0265	1.0216	631	8,408
Sep	-	1.0364	-0.0044	-	-	2	409

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.5872	1.5892	+0.0014	1.5918	1.5840	25,147	41,383
Jun	1.5910	1.5886	+0.0014	1.5918	1.5850	18	1,298
Sep	-	1.5878	+0.0014	1.5900	1.5850	5	4

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.500	8.69	8.72	8.85	-	0.05	0.26
1.525	6.29	6.47	6.77	-	0.22	0.59
1.550	3.96	4.39	4.87	0.15	0.63	1.16
1.575	2.04	2.67	3.28	0.67	1.36	2.03
1.600	0.76	1.47	2.11	1.88	2.56	3.22
1.625	0.19	0.71	1.25	3.78	4.28	4.83

Previous day's vol., Calls 8,074 Puts 12,965. Prev. day's open int., Calls 220,498 Puts 261,054

■ Pound in New York

Jan 20	—Close—	—Prev. close—
£ spot	1.5890	1.5855
1 mth	1.5887	1.5852
3 mth	1.5882	1.5858
1 yr	1.5845	1.5805

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Companies and Finance page in today's edition.

UK INTEREST RATES

LONDON MONEY RATES

Jan 20	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2	[illegible]	[illegible]	[illegible]	[illegible]

Certs of Tax dep. under £100,000 is [illegible]pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount 5.8761pc. ECGD fixed rate Stg. Export Finance. Make up day Dec 30, 1994. Agreed rate for period Jan 25, 1995 to Feb 25, 1995, Schemes II & III: 7.71pc. Reference rate for period Dec 1, 1994 to Dec 30, 1994, Schemes IV & V: 6.402pc. Finance House Base Rate [illegible]pc from Jan 1, 1995

BANK OF ENGLAND TREASURY BILL TENDER

	Jan 20	Jan 13
Bills on offer	£500m	£350m
Total of applications	£2759m	£2230m
Total allocated	£500m	£500m
Min. accepted bid	£98.535	£98.550
Allotment at min. level	100%	93%

	Jan 20	Jan 13
Top accepted rate	5.8781%	5.8159%
Ave. rate of discount	5.8761%	5.8153%
Average yield	5.9635%	[illegible]
Offer at next tender	£500m	£500m
Min. accept. bid 182 days	-	-

BANK RETURN

BANKING DEPARTMENT	Wednesday January 18, 1995 £	Increase or decrease for week £
Liabilities		
Capital	14,553,000	
Public deposits	1,035,750,998	-101,099,821
Bankers deposits	1,667,365,643	-1,763,085
Reserve and other accounts	3,223,535,934	-1,396,500,622
	5,941,205,775	-1,499,363,528
Assets		
Government securities	1,572,893,258	+498,585,001
Advance and other accounts	3,583,506,856	-2,333,859,481
Premises, equipment and other secs	772,783,128	+330,678,982
Notes	11,821,861	+4,918,552
Coin	229,862	16,418
	5,941,205,775	-1,499,363,528
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	18,168,178,139	-384,918,552
Notes in Banking Department	11,821,861	+4,918,552
	18,180,000,000	-380,000,000
Assets		
Other Government securities	10,976,608,053	+1,702,639,639
Other Securities	7,203,391,947	-2,082,639,639
	18,180,000,000	-380,000,000

UK GILTS PRICES

[illegible]

STOCK INDICES

	Jan 20	Jan 19	Jan 18	Jan 17	Jan 16	—1994/95— High	—1994/95— Low	—Since comp.— High	—Since comp.— Low
FT-SE 100	2965.0	3028.6	3054.3	3054.4	3076.7	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250 ex IIs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap ex IIs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A All-Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Eurotrack 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Eurotrack 200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Ordinary	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Govt Securities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Fixed Interest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Gold Mines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Predecessor Gold Mines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BASE LENDING RATES

[illegible]

FT GOLD MINES INDEX

	Jan 20	% chg since 30/12/94	Jan 19	Mkt Cap $bn	% of Gold Mines	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1837.82	-7.0	1843.85	45.01	100.00	2.33	2337.90	1762.02
■ Regional Indices								
Africa (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australasia (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North America (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Copyright, The Financial Times Limited 1995. Figures in brackets show number of companies. Basis US Dollars. Base Values: [illegible]. Predecessor Gold Mines Index: [illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FT CONFERENCES

INTERCONNECTION - THE EVOLVING UK PROGRAMME AND ITS INTERNATIONAL CONTEXT
London, 8 February 1995
Senior speakers from OFTEL, led by Mr Don Cruickshank its Director General, will look at the key issues of the UK's interconnection programme. This joint conference will also address interconnection and competition in international telecommunications, with presentations from Mr Scott B Harris, US Federal Communications Commission; Mr Nicholas Argyris, European Commission and Mr Jan Freese, Swedish National Post and Telecom Agency

LONDON MOTOR CONFERENCE
London, 20 February 1995
This annual FT meeting, the tenth in a highly successful series, will focus on block exemption, examine the changing relationship between vehicle manufacturers and dealers and address the issue of competitiveness in the automotive components sector. Speakers include Professor Garel Rhys OBE, Cardiff Business School, Sir Trevor Chinn CVO, Lex Service PLC; David Nicholas, Unipart Industries; Rich Van Leeuwen, Ford Credit Britain and Gerard Chiffert, Rockwell Automotive Light Vehicle Systems.

CABLE, SATELLITE AND NEW MEDIA
London, 27 & 28 February 1995
The Financial Times' 14th annual conference is being held at a critical time when the vision of the new media is turning into reality. The conference will offer insights into the latest developments both in the context of business and investment implications and the context of technology. Speakers include, Mr Barry Spikings, The Pleskow/Spikings Partnership, USA; Mr Michael Schrage, Massachusetts Institute of Technology; Mr Robert Phillis, British Broadcasting Corporation; Mr Stephen Davidson, TeleWest Communications plc and Mr Marc Tessier, Canal +.

WORLD STEEL INDUSTRY
London, 6 & 7 March 1995
This London conference arranged in association with CRU International, will bring together a distinguished panel of speakers from around the world to share their views on the key questions facing the industry. The industry's structure will be of paramount importance, to what extent should European producers form their own alliances or mergers to create a truly international industry? *Will privatisation finally lay the subsidies issue to rest?* What technology will steelmakers use to achieve the growth they are seeking? Speakers who will be taking part include Mr Brian S Moffat OBE, British Steel plc; Mr Robert J Darnall, Inland Steel Industries Inc; Mr Karel Van Miert, European Commission; Mr Francis Mer, Usinor Sacilor and Mr Robert A Garvey, North Star Steel Company.

INDIA'S ECONOMIC RENAISSANCE - OPPORTUNITIES FOR TRADE, FINANCE AND INVESTMENT
New Delhi, 16 & 17 March 1995
Given the breadth and pace of economic reform that has taken place in India since 1991, this high-level FT forum will provide a unique opportunity to review the government's liberalisation programme and assess business and investment prospects. The meeting will also consider India's competitiveness in world markets and look at the challenges of improving the country's infrastructure. Speakers will include Mr Pranab Mukherjee, Minister of Commerce; Sir Robert Wade-Gery KCMG KCVO, Barclays de Zoete Wedd; Mr Dipankar Basu, State Bank of India; Mr Tetsuo Shimura, The Bank of Tokyo and Mr A Stephen Melcher, Eagle Star Holdings

WORLD PHARMACEUTICALS CONFERENCE
London, 20 & 21 March 1995
This year's conference, arranged jointly with Coopers & Lybrand, takes as its theme 'evolving from pills to healthcare - realising the ambition'. As governments worldwide seek to contain healthcare costs, the marketplace has become more competitive for R&D-based pharmaceutical majors. Many are now looking at new ways of working with the healthcare purchasers, whether in the US free market environment or in European-type social systems. Leading figures will outline their vision and strategies for moving from being *pharmaceutical product-based companies to becoming 'healthcare' players.*

MARKETING PROFESSIONAL SERVICES '95
London, 19 & 20 April 1995
The Financial Times and Professional Marketing International bring together an internationally renowned line-up of experts and leading edge practitioners to provide practical guidance in getting better business through improved skills and client awareness. The first day is devoted to an interactive point of contact sales masterclass, examining the process of carrying marketing context through to the actual sale. Highlights of the second day include a debate on the findings of an exclusive benchmarking survey to establish best *practice in client development worldwide; reflections from Sir Bryan Carsberg* of the Office of Fair Trading on a decade of deregulation in the professions and Professor Jack Mahoney of the London Business School on *reconcilingprofessional ethics to a market facing culture.* A series of 12 workshops lead by clients and practitioners will concentrate on specific skills and the special needs of particular types of clients. The Congress concludes with a dinner and presentation of the prestigious FT/ProfessionalMarketing Awards.

All enquiries should be addressed to: Financial Times Conferences, P O Box 3651, London SW12 8PH, UK. Telephone: 081-673 9000, Fax: 081-673 1335.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 71) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

مكتبة عبد الأصول

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 71) 873 4378.

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Barings 8pc Cm 2nd Prf		97½	0.5	8%	–	Jun Dec	14.11	1757
8¾pc Non-Cum Prf		117¼	0.2	8¾%	–	Jan Jul	14.11	1421
Cater Allen	♣†N□	454	—	28.3	1.6	Jan Jul	12.12	2087
Close Bros	♣N	218	-2.7	7.6	2.9	Apr Oct	3.10	2180
Gerrard & Nat	♣†N□	468	—	24.8	1.3	Jul Dec	7.11	2888
Hambros	♣N□	246	-4	16.0	1.1	Aug Dec	28.11	2812
7½pc Cv Pf		111	1.4	7½%	–	Oct	5.9	4366
Joseph (L)	♣†N	393	-5	17.85	1.9	Sep Dec	5.12	3080
King & Shaxson	♣N	100	-2.9	9.0	1.1	Jan Jul	19.12	3089
Kleinwort Benson	♣†N□	574	6.1	19.25	2.6	May Oct	15.8	3102
Rea Bros	♣†N□	65	—	0.96	3.2	May Oct	29.8	3785
Schroders	♣†N□	1428	-1.0	18.5	5.9	May Oct	12.9	3839
N/V	†N	1303	-4	18.5	5.9	May Oct	12.9	3841
Singer & Fried	♣†N□	85½	—	3.13	2.6	Nov Jun	19.9	4028
Union	♣†N□	89	-3.3	4.5	3.8	Mar Oct	29.8	4358
Warburg (SG)	♣N□	731	8.6	22.8	2.4	Jul Dec	14.11	4425
Wintrust	♣N	215	—	10.25	1.5	Oct Mar	22.8	4624

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

Toronto-Dom		8⅞xd	-2.2	88c	JaApJyOc	12.12	1207
Trans Con Pipe	♥	7½	-5.0	84c	JaApJyOc	12/93	-

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
Anglo Am Ind		£31	..	0375c	1.9	Oct Apr	3/93	-
Barlow	‡	£4½	-4.4	056c	2.8	Jan Jul	12.12	-
Gold Flds Prop R.		139xd	..	060c	⊕	Feb Sep	31.1	-
JCI Props		87½	..	067.1c	-	Feb Sep	10/93	-
SASOL	♥	479	-4.7	076c	-	Oct	9/93	-
SA Brews	†	£14½	-1.7	0163c	2.2	Jun Dec	21.11	-
Tiger Oats		750	..	085c	2.8	Jan Jul	12.12	-
Tongaat-Hulett	††	701	..	080c	2.4	Feb Aug	1/94	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution, this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ☐ indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⊕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend includes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment. Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. N Figures based on BMR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: BSkyB (Media), British Assets Growth, Do Wrts, Group Devlpt Cap Tst Wrts, Investors Cap Growth, Do Income, JF Fledgeling Japan Wrts (Inv Tsts), Prospect Japan Fund, Do Wrts (Inv Co's), RM (Supp Svs). Deletions: Resolute Res (Extrative Inds), Aberdeen Steak Houses (Leis), Waterglade Intl (Prop).

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2264. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 39p per minute cheap rate and 49p per minute at all other times.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

4 pm close January 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
17⅞	11⅞	AAR	0.48	3.5	24	79	13⅝	13½	13⅝	
21⅞	12⅝	A L Labs A	0.18	0.9	47	308	21	21	21	
79⅞	57⅞	AMP	1.68	2.3	22	1783	73⅝	72½	72½	-1
72¾	48⅛	AMR			122	3692	57⅞	57½	57⅝	-⅛
56⅛	38⅝	ASA	2.00	4.4	30	1394	45½	45⅛	45½	
33⅞	25⅜	Abbott	0.76	2.4	17	5383	32¼	32	32¼	
15¼	11⅜	Abitibi Pr	0.50	3.7	12	40	13⅝	13½	13½	-⅛
23⅞	17¼	ABM Ind	0.60	2.6	13	54	22⅞	22⅝	22¾	+⅛
18	11⅛	Acpincoln			12	238	16½	16	16	-¼
31	20¾	ACE Ltd	0.44	2.0	23	137	22⅜	22¼	22¼	+⅛
12½	9	ACM Gvt In x	1.09	11.7	8	767	9⅝	9⅜	9⅜	-¼
10⅛	6⅞	ACM GvOpp	0.80	10.8		122	7⅜	7¼	7⅜	
10⅝	6¾	ACM Gvt Sp x	0.95	13.2		211	7⅜	7⅛	7¼	
12	7⅝	ACM Gvt Se x	1.09	12.9		458	8½	8¼	8½	+⅛
11¾	7⅜	ACM Man x	1.08	12.9		182	8½	8⅜	8⅜	-⅛
9⅛	7¼	ACM Managd x	0.72	9.6		47	7⅝	7⅜	7½	+⅛
16½	8¾	AcmeClv	0.44	3.5	25	698	13	11⅛	12⅝	+1⅜
19⅞	6½	Acme Elect			18	866	18	16½	17⅝	+1
33½	23	Acordia	0.60	1.9	16	110	32⅜	32	32¼	-¼
13¾	5¾	Actava	0.36	4.1	2	194	9	8¾	8¾	-¼
18⅜	11¼	Acuson			25	130	15⅞	15⅝	15¾	-⅛
18⅝	15½	Adams Expr	0.36	2.2	0	112	16⅛	16	16⅛	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

4 pm close January 20

NYSE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
35⅛	30½	SFePPipe	2.80	8.0	8	72	u35⅛	34⅞	34⅞	-⅛
26¼	12⅞	SanFeP	0.10	0.6	17	37209	16¼	16	16⅛	-⅛
26⅛	19⅞	SaraLee	0.68	2.7	63	6371	25⅛	24¾	24⅞	-¼
50⅛	41	Scana Corp	2.82	6.5	12	95	43½	43⅜	43½	+⅛
20½	12½	Scecrp	1.00	6.4	10	18018	15⅝	15¼	15⅝	+⅜
45½	31¾	SchwerRP			29	749	44¼	43⅝	43¾	-⅝
75⅞	54½	SchrPl	2.04	2.8	15	2824	73¾	73¼	73⅝	+¼
69	50	Schlmb	1.20	2.3	25	10999	53¼	52⅝	53⅛	+½
39⅝	23¾	SchwabCh	0.36	1.0	15	3774	37⅝	36⅝	36⅝	-1¼
10¾	6⅛	Schwitzer			7	42	8½	8⅜	8⅜	-¼
22¾	12½	SciAtl	0.06	0.3	37	3506	20½	19½	19⅝	-⅝
18¼	13	Scotsman	0.10	0.6	12	223	17¼	17⅛	17¼	+⅛
74½	37¼	ScottP	0.80	1.1	22	3182	72⅜	71⅜	71½	+¼
31	23	Scripps	0.44	1.6	13	28	28¼	28⅛	28¼	-⅛
28⅝	18	ScuddrNAsF x	0.02	0.1		169	18⅛	d17¼	17⅛	-⅞
12⅝	8¾	ScuddrNEuF	0.16	1.8		414	9	9	9	
18¼	12	SeaCnB	0.70	5.0	8	5	14	14	14	-⅛
16½	14¼	SeaC1.4825	1.46	9.6		8	15¼	15¼	15¼	
28	22⅞	S'gate			7	2460	27⅛	26⅜	26⅜	-⅜
32⅝	28¼	Seagrm	0.60	2.0	14	2473	30⅛	29¾	29⅞	-⅛
28⅜	17⅛	Seagul En			29	254	17⅝	17⅜	17⅜	-⅛
40¼	25⅝	Sealed Air			23	83	39⅞	39⅜	39⅞	+½
55⅛	42⅛	SearsR	1.60	3.5	13	15482	45½	45	45½	-⅜
13¾	9¾	Seligm Sel	0.84	7.2		112	11⅝	11⅝	11⅝	
39¼	26	Sensormat	0.22	0.7	26	2020	32⅝	32⅛	32⅜	-⅜
39¾	17⅝	SequaA	0.60	2.7	8	10	22⅞	22½	22½	-½
40¼	21	SequaB	0.50	2.2	12	19	23½	23	23	-½
28½	22½	ServCo	0.42	1.5	18	2329	28	27⅝	28	

NASDAQ NATIONAL MARKET

4 pm close January 20

AMEX COMPOSITE PRICES

4 pm close January 20

FT GUIDE TO THE WEEK

MONDAY 23

Santer takes charge

European Union foreign ministers, meeting in Brussels, will give their formal approval to the European Commission under the presidency of Jacques Santer. The Commission then decamps to Luxembourg for an official swearing-in ceremony at the Court of Justice on Tuesday.

Italian government crisis

Lamberto Dini (left), the new Italian prime minister, faces his first big hurdle when he presents his government programme. Once parliament has considered his proposals, the government will seek a vote of confidence, probably on Wednesday. The outcome is expected to be very close. If Mr Dini fails to obtain a majority, the government, sworn in last week, will fall.

The European Commission is to bring forward its review of the use of veal crates for calf rearing

Veal deal unlikely

European Union agriculture ministers meet in Brussels, with the new agricultural commissioner, Franz Fischler of Austria, present. The formal agenda suggests it will be a low-key affair, discussing sugar quotas and forestry set-aside. However, William Waldegrave, UK agricultural minister, will make a strong plea for a ban on the use of veal crates in other EU countries, and call for limited journey-times for livestock being transported to slaughter. There appears to be little appetite among the other 14 member states for urgent action, despite a European Commission decision last week to bring forward a review of the use of veal crates to this year from 1997.

UK economy

Preliminary gross domestic product figures for the fourth quarter of 1994 will help determine whether Kenneth Clarke, chancellor of the exchequer, and Eddie George, governor of the Bank of England, agree to raise interest rates when they meet on February 2. A rise may be averted if the figures suggest the growth rate of the economy is slowing towards the 2 to 2.5 per cent which it has been able to sustain in the past without pushing up inflation.

O.J. Simpson trial opens

The O.J. Simpson murder trial starts in Los Angeles. The former American football star is accused of murdering his ex-wife and her friend. US television will not be the same again until it ends – and it could easily last three months.

Channel tunnel train service

More high-speed Eurostar trains will run through the Channel tunnel. Departures on the London-Paris route will double to four a day each way except Friday and Sunday, when five trains will run. There will be three daily departures each way between London and Brussels.

French and Belgian railways are also replacing three of the four Trans-Europe Express units running between Paris and Brussels with high-speed TGV trains.

TUESDAY 24

Clinton addresses Congress

US president Bill Clinton delivers the state of the union speech to a joint session of Congress, now under Republican control for the first time in 40 years. The Republican response will be given by Governor Christine Whitman of New Jersey.

Mandela visits India

South African President Nelson Mandela arrives in India today for a five-day visit. During talks with India's prime minister, P.V. Narasimha Rao, Mr Mandela is expected to broach the idea of setting up an Indian Ocean trading conference that would be led by the two countries.

Socialist deadline in Bulgaria

By today, Zhan Videnov, leader of the Bulgarian Socialist Party, has to come up with a proposal for a government, on which parliament is expected to vote later this week. The Socialists, who won last month's early elections, have an outright majority.

Gulf war missing persons

The fate of 600 Kuwaiti and foreign nationals still missing after the Gulf war in 1991 will be discussed by officials from Iraq, Kuwait and the Gulf war coalition partners. The two-day meeting will be held at the Geneva headquarters of the International Committee of the Red Cross. Iraq denies holding any captives but says it is willing to investigate specific cases.

Changing guard in Bosnia

The United Nations commander in Bosnia, Lieut-General Sir Michael Rose (left), hands over command to fellow Briton Major-General Rupert Smith on completing his one-year tour. General Smith will need all his diplomatic skills to fulfil his UN mandate and cope with the political pressures from New York, Nato, Washington and all the "experts" who think they can do the job better than he can. If the war deteriorates, he may have to mastermind the withdrawal of UN troops. If a peace agreement is reached, his role will switch to peacekeeping on a grand scale.

Kohl drops in on Kok

Chancellor Helmut Kohl of Germany spends an evening in The Hague at the invitation of his Dutch counterpart, Prime Minister Wim Kok. Much of the talks will focus on bilateral relations.

Canada and Chile talk trade

Canada's prime minister, Jean Chretien, arrives in Chile at the head of a 100-strong trade mission. The team will discuss bilateral trade, investment and economic co-operation issues, as well as the timetable for negotiations on Chile's entry to Nafta, which Canada has strongly promoted. Chile is the fourth stop on an 11-day tour which includes Brazil, Argentina, Uruguay, Costa Rica and Trinidad and Tobago.

UK economy

The Confederation of British Industry's quarterly survey of manufacturers is the last significant piece of evidence that will determine whether UK interest rates rise again in February. The survey may indicate whether November's fall in factory output was the beginning of a trend or just a blip. Economists will look for evidence on the amount of spare capacity and the strength of upward pressure on factory prices.

WEDNESDAY 25

Shifts in Italy's right

An historic congress opens at the spa town of Fiuggi near Rome which will bury the neo-fascist MSI, heir to Mussolini's national socialist ideals, and formalise the new right-wing party, National Alliance, under the leadership of Gianfranco Fini. The congress, due to last five days, will determine whether the fascist nostalgics will split or be incorporated, at the risk of blackening the new party's image.

HK governor in London

Chris Patten, governor of Hong Kong, arrives in London for a three-day visit. He will meet Prime Minister John Major, Foreign Secretary Douglas Hurd and Tony Blair, leader of the opposition Labour party.

The trip comes at a time of poor Sino-British relations and Mr Patten's discussions are likely to embrace the latest thorny issue: Beijing's demand for information on civil servants, including their nationality status, and the impact this row is having on civil service morale.

FT Survey

Mercosur: On January 1 this year, the developing world's most important customs union came into being. Now the member states of Argentina, Brazil, Paraguay and Uruguay face the slow plod of deepening and extending the ties which link them.

Holidays

Brazil (São Paulo only).

THURSDAY 26

World Economic Forum

The annual meeting of the World Economic Forum starts in Davos, Switzerland. About 800 business leaders, 200 politicians and 300 scientists and academics will seek to set the world to rights in six days of brain-storming and occasional skiing.

A strong team of economic officials from Mexico will spread assurances about the government's economic stabilisation plan, while Russia will field several ministers to brief on its economic reform programme. Mr Zhu Rongji, China's chief economics minister, has signalled his attendance.

EU-US trade encounter

Sir Leon Brittan, the European Union trade commissioner, meets US trade representative Mickey Kantor in Washington for talks on trade issues (to Jan 31).

Auschwitz ceremonies

A two-day commemoration of the liberation of the Auschwitz (Oswiecim) and Birkenau (Brzezinka) twin death camps 50 years ago gets under way. Preparations have been dogged by controversy between the Polish organisers and Jewish groups unhappy that President Lech Walesa will be speaking at the ceremony. Jewish groups say that silence should prevail in the place where more than 1m Jews and others were murdered by the Nazis.

Cricket

Fourth and penultimate Test between England and Australia begins in Adelaide (to Jan 30).

Saleroom:

The finest private collection of cricketing memorabilia to appear on the market for 30 years is to be sold by Phillips in London. Among the star lots are: a watercolour by Spy, the Vanity Fair cartoonist Sir Leslie Mathew Ward, of the great batsman, Ranji, which should make £5,000; a complete run of Wisden, the cricketers' Bible; and a signed photograph of legendary English cricketer W.G. Grace. The collection was built-up over 75 years by dentist Harold "Hal" Cohen.

Holidays:

Australia (Australia Day), India (Republic Day), Uganda (Liberation Day).

FRIDAY 27

Mafia hearing

A Sicilian court opens a preliminary hearing into whether seven-times former prime-minister of Italy Giulio Andreotti should stand trial on charges of membership of the Mafia.

Southern African Community

The annual meeting of the Southern African Development Community (SADC) and international donors starts in Lilongwe, Malawi, (to Feb 4). South Africa, admitted last year, will attend for the first time. Delegates will be attempting to co-ordinate regional development.

Zambian Budget day

Donors will be looking for a clear commitment to early privatisation of the state copper mines, responsible for more than 90 per cent of export earnings, as well as continuing curbs on state spending.

SATURDAY 28

Çiller in the balance

The coalition government of Turkey's Prime Minister Tansu Çiller hangs in the balance, as her social democratic SHP partner holds a conference to decide whether to quit the government and merge with the left-wing opposition CHP party.

SUNDAY 29

Nordic summit

The prime ministers of the five Nordic nations – Denmark, Finland, Sweden, Iceland and Norway – meet in Copenhagen to discuss the future of Nordic co-operation after Sweden and Finland's accession to the European Union and Norway's decision not to join. The other Nordic countries are anxious to see that Norway does not become isolated from the European political mainstream.

American Football

The San Francisco 49ers meet the San Diego Chargers at the Joe Robbie Stadium, Miami, in the first all-Californian Super Bowl. All the omens favour the 49ers, who have won four Super Bowls. The Chargers are making their first appearance.

Compiled by Patrick Stiles and Ian Holdsworth. Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: Italian inflation figures are expected to show the rate of price increases picking up slightly, although the impact for the markets is likely to be overshadowed by political developments.

Tuesday: The rise in Japan's trade surplus in recent months is expected to have come to a halt in December, leaving the surplus significantly down on a year earlier. The weekly Red Book in the US will indicate how strongly shop sales have begun the new year.

Wednesday: Sales of existing homes in the US are thought to have declined in December, following a downbeat Beige Book and a gloomy report from the National Association of Home Builders in the wake of recent interest rate rises.

Thursday: Britain's trade deficit with other countries in the European Union is predicted to have widened slightly in December, although to have remained relatively modest. US durable goods orders are thought to have been unchanged in the same month.

Friday: US gross domestic product growth is predicted to show an acceleration for the fourth quarter of the year, in particular reflecting strong consumer spending.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	4th qtr GDP, prelim**	3.9%	4.1%
Jan 23	UK	Ditto, qtr on qtr	0.7%	0.8%
	Italy	Jan consumer prices indx (cities)**	4%	3.9%
	Canada	Nov retail sales*†	0.6%	1.6%
Tues	US	Dec Treasury budget	-$4bn	-$37.5bn
Jan 24	Japan	Nov coincident indx	60%	70%
	Japan	Nov leading diffusion indx	-	50%
	Japan	Dec trade bal (custom cleared)	$12.6bn	12.9bn
	France	Dec household consumption*†	0.5%	1.7%
	Canada	Nov wholesale trade*†	1%	0.5%
Wed	US	Dec existing home sales	-	$3.81m.
Jan 25	Canada	Nov int securities transactions	C$0.5bn	C$1.2bn
	Aus'lia	4th qtr consumer prices indx**	2.7%	1.9%
Thur	US	Dec durable orders	0.3%	3.4%
Jan 26	US	Dec durable shipments	-	2.7%
	US	Initial claims w/e 21 Jan	325,000	-
	UK	Dec trade, ex-EEC	-£400m	-£350m
	Italy	Nov producer prices indx**	4.5%	4.3%
	Italy	Nov wholesale prices indx**	4.4%	4%
Fri	US	4th qtr GDP advance	4.4%	4%
Jan 27	US	4th qtr GDP deflator advance	2.3%	1.9%
	Japan	Jan consumer prices indx (Tokyo)**	0.5%	0.5%
	Japan	Dec consumer prices indx (nation)**	0.5%	1%
	Japan	Nov overall pers consumer expend**	-0.1%	-0.4%
Fri	Japan	Nov pers cons expend (workers)**	-	2.6%
Dec 27	Japan	Nov income (workers)**	-	0.6%
(cont)	Japan	Dec retail sales**	-1%	0.3%
	Italy	Dec hourly wages	2%	1.9%
	Canada	Dec indust production price indx*	0.6%	0.8%
	Canada	Dec raw materials price indx*	0.7%	2.2%
During the week...				
	Japan	Dec supermarket sales**	-	-0.4%
	Japan	Dec department store sales**	-	-0.1%
	Japan	Jan trade balance (1st 10 days)	-	-$0.9bn
	Germany	Dec M3 from 4th qtr base	5.5%	6%
	Germany	Nov trade balance	DM6bn	DM7bn
	Germany	Nov current a/c	-DM3.5bn	-DM7.2bn
	Germany	Jan prelim cost of living*	0.6%	0.2%
	Germany	Jan prelim cost of living**	2.4%	2.7%
	Germany	Dec import prices*	0.0%	0.8%
	Germany	Dec import prices**	2.3%	2.2%
	Italy	Dec forex reserves	L80Tr	L83.3Tr
	Italy	Oct trade balance (payments)	-	L4.3Tr
	Italy	Dec M2 3-month average**	3.4%	3.2%
	Italy	Dec total bank lending	-0.1%	-0.4%
	Spain	Nov producer prices indx**	4.5%	4.4%
	Denmark	3rd qtr GDP**	3.9%	5.7%

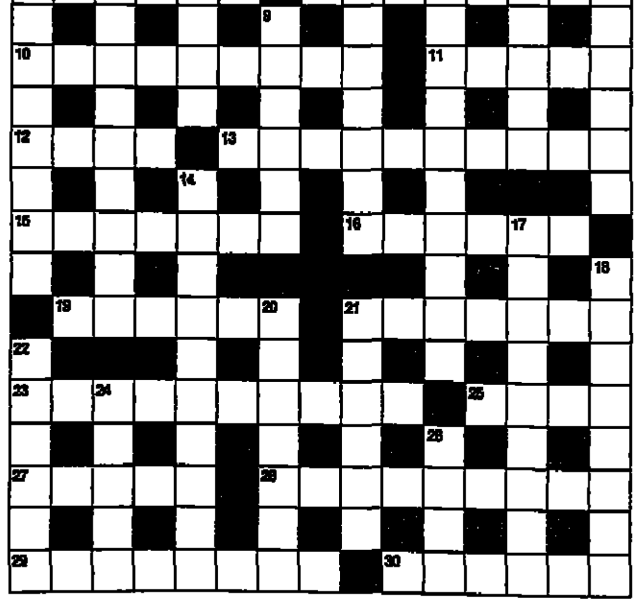
*month on month, **year on year, †seasonally adjusted *Statistics, courtesy MMS International.*

ACROSS

1 A Latin fellow's recess (6)
4 Contend curly hair could be enchanting (8)
10 At odds with fit and frisky friend (9)
11 The state is a subject for debate (5)
12 Overcharge a black flier (4)
13 These days a government official's in control (10)
15 The pirate company's grabbing the right music (7)
16 A man hauling a boat? (6)
19 A dealer seen in spring maybe and summer certainly (6)
21 Blow up in the home by some point (7)
23 Issue raised by an American prospector (10)
25 Smooth life-style (4)
27 Time taken by conservationists' representative (5)
28 Bond's people finding themselves in a welcome situation (9)
29 Increased by five hundred after general reorganisation (8)
30 Look sly about the craft that's not so great (6)

DOWN

1 Soundness of article about clerical employment (8)
2 Study before race meeting (9)
3 One getting into the front rank will naturally be proud (4)
5 Accommodation for workers – a self-build project (3-4)
6 Arranging discharge, felt no gift called for (7,3)
7 Many rest at the top (5)
8 Writing up, listeners make damning comments (6)
9 Colour, showing less sense (6)
14 The cars men use in city (10)
17 At one time a colliers' union would have inspectors (9)
18 He doesn't like taking animals without a checkup (8)
20 Desert folk struggle to make progress (3,4)
21 Cut in about a note on foreign money (6)
22 Capers about, causing trouble (6)
24 Sheep pounds in Surrey (5)
26 Only a part of some recent investigations (4)



MONDAY PRIZE CROSSWORD
No.8,667 Set by VIXEN

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday February 2, marked Monday Crossword 8,667 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday February 6.

Name...

Address...

....

Winners 8,655

Angela Zemaitis, Rochester, Kent
R.J.R. Budden, Droitwich, Worcs
R. Crawford, Chipping, Lancs
D. Grace, Sidcup, Kent
N.A. Nicolle, St Helier, Jersey
S.J. Woolley, Rivenhall, Essex

Solution 8,655